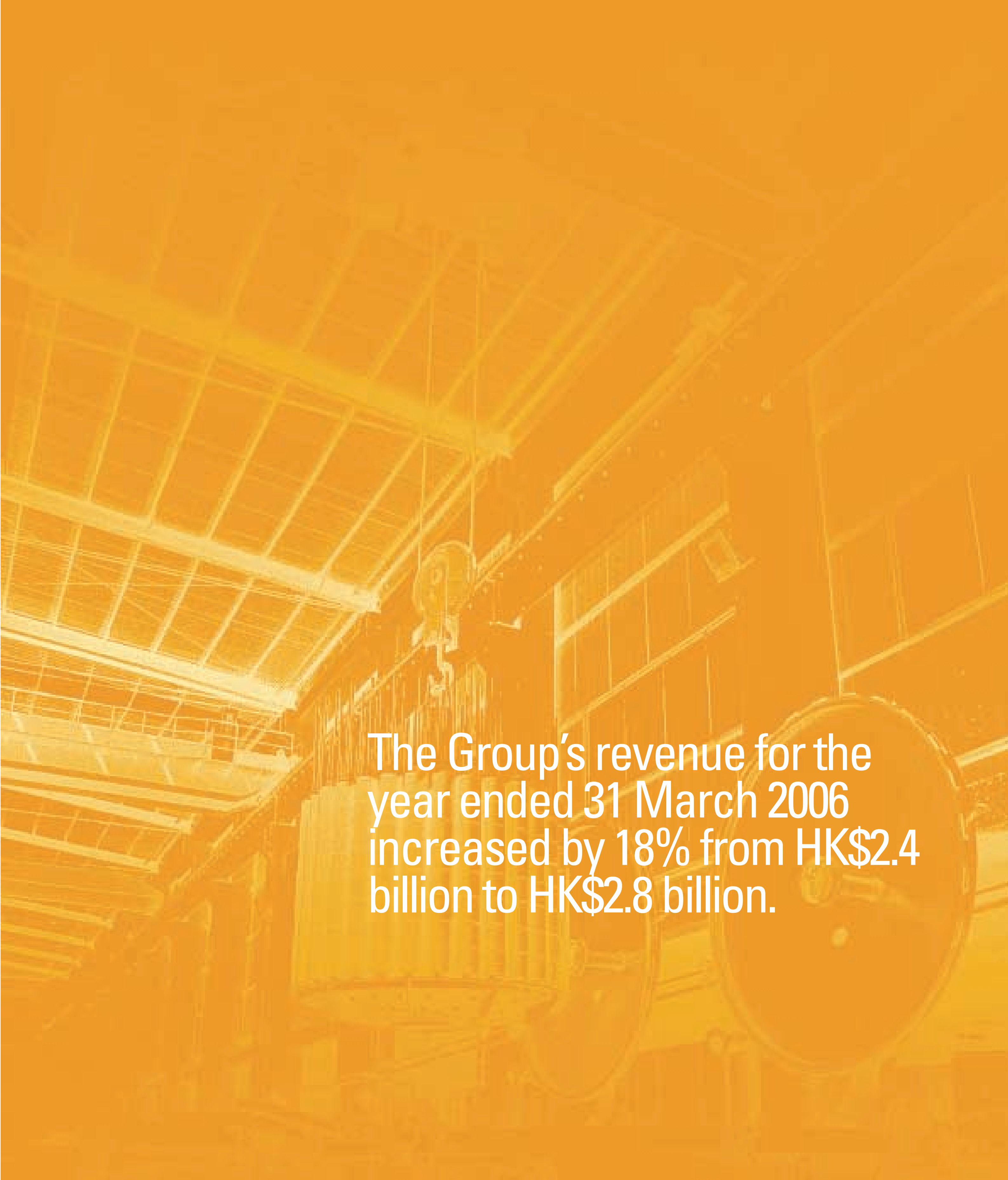

The Group's revenue for the year ended 31 March 2006 increased by 18% from HK$2.4 billion to HK$2.8 billion.

FINANCIAL REVIEW

The Group's revenue for the year ended 31 March 2006 increased by 18% from HK$2.4 billion to HK$2.8 billion. Revenue of production and sale of knitted fabric and dyed yarn increased by 7% to HK$1.8 billion, representing 64% of the consolidated revenue whereas revenue of garment sourcing, manufacturing and exporting business surged to HK1.0 billion, signifying a 44% growth as compared with last year and representing 36% of the consolidated revenue.

During the year, revenue in terms of output quantities of knitted fabric and dyed yarn did increase by approximately 15% as compared with the previous year whereas revenue in terms of monetary value recorded only a 7% increase due to the downward adjustment of product prices. Nevertheless, our efforts in exploring overseas markets as well as diversifying into the PRC domestic market substantiated the revenue growth momentum of the Group.

Gross profit margin for production and sale of knitted fabric and dyed yarn increased from 22.6% to 24.4% in the year under review. Cotton price remained reasonably steady throughout the year. Enhancement of production capability achieved economies of scale together with improvements in manufacturing efficiency and quality contributed to the margin growth.

Revenue of the garment sourcing, manufacturing and exporting business increased by 44%, mainly due to contribution from our new garment manufacturing business. Revenue of this new segment was approximately HK$175 million, with new factories established in Jordan, Xinhui and Indonesia. By exploring new customers and markets, as well as diversifying product ranges, revenue of the garment sourcing and exporting business increased by 18% as compared with the previous year. Severe market competition continued to put pressure to the product prices. Nevertheless, stringent cost controls as well as high level of flexibility achieved from strong diversified outsourcing production bases enabled the margin of this segment to keep at similar level as last year.

Other income increased from HK$11.5 million in 2005 to HK$31.1 million in 2006. This was mainly contributed by the change in fair value of investment properties of HK$17.5 million in accordance to the adoption of Hong Kong Accounting Standard 40 in the year under review.

Finance costs were doubled from HK$18.0 million in 2005 to HK$36.1 million in 2006, mainly due to increase in global interest rate. The Group has tried its best endeavour in obtaining favourable banking facilities and arranging interest rate swap facilities with its bankers so as to keep the adverse impact brought by the increase in interest rate to minimal.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 March 2006, the Group had total assets of HK$3,638,188,000 (2005: HK$2,583,256,000) which were financed by current liabilities of HK$1,425,159,000 (2005: HK$780,945,000), long term liabilities of HK$610,342,000 (2005: HK$693,638,000) and shareholders' equity of HK$1,547,162,000 (2005: HK$1,071,103,000). The current ratio was approximately 1.5 (2005: 1.9) and the gearing ratio, being the ratio of total borrowings (net of bank balances and cash) to shareholders funds was 57% (2005: 76%). All of the Group's borrowings were at floating rate basis.

The Group services its debts primarily through cash earned from its operations. The Directors believe that the Group has maintained sufficient working capital for its operation and future expansion. Should other opportunities arise requiring additional funding, the Directors believe that the Group is in a good position to obtain financing on favourable terms.

EXPOSURE TO FLUCTUATION IN FOREIGN EXCHANGE

The Group's monetary assets and liabilities were principally denominated in Hong Kong dollar, Chinese Renminbi and US dollar. Inasmuch as the Hong Kong dollar is pegged to the US dollar, and that there has been minimal fluctuation in exchange rate between Hong Kong dollar and Chinese Renminbi, the Group's exposure to currency exchange risk was minimal.

CAPITAL EXPENDITURE

During the year, the Group invested approximately HK$449 million in fixed assets, of which 23% was used for purchase of plant and machinery and 74% for acquisition of property and construction of new factory plants, workers' dormitory, water treatment plants and enhancement of the coal-fired facilities.

At 31 March 2006, the Group had capital commitments of approximately HK$75 million in respect of acquisition of property, plant and equipment.

PLACEMENT OF SHARES

Pursuant to a placing agreement dated 15 February 2006, an aggregate of 60,000,000 ordinary shares of HK$0.01 each in the Company were placed by Pearl Garden Pacific Limited and Madian Star Limited to more than six independent investors at the price of HK$2.93 per share. On completion of placing, Pearl Garden Pacific Limited and Madian Star Limited together subscribed for an aggregate of 60,000,000 new shares in the Company at the price of HK$2.93 per share so as to raise further working capital for the Company and broaden its capital base. These shares ranked pari passu with the then existing shares in all respects. The net proceeds from the subscription of approximately HK$170 million were used by the Group's for the expansion of the Group's production capacity and for general working capital purposes.

CHARGES ON ASSETS

At 31 March 2006, investment properties and certain property, equipment, plant and machinery of the Group with net book value of approximately HK$112 million were pledged to banks to secure banking facilities granted.

EMPLOYEE INFORMATION

As at 31 March 2006, total number of employees of the Group were approximately 290 in Hong Kong and Macau (2005: 220), approximately 10 (2005: 10) in the US and Canada, approximately 1,200 in Jordan (2005: nil), approximately 700 in Indonesia (2005: nil) and approximately 5,300 in the People's Republic of China (2005: 4,800). Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to providing senior management an appropriate incentive interest for the growth of the Group.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, sales to the five largest customers accounted for 23.9% of the total revenue for the year and sales to the largest customer included therein accounted for 13.8%.

Purchase from the five largest suppliers accounted for 25.3% of the total purchases for the year and purchase from the largest supplier included therein accounted for 6.7%.

None of the Directors, their respective associates (as defined in The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited) or shareholders of the Company who own more than five percent of the issued share capital of the Company has any interest in the Group's five largest customers during the year under review.