

The directors present their annual report and the audited financial statements for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the production and sale of knitted fabric and dyed yarn and provision of related subcontracting services, trading of garment products and provision of quality inspection services.

RESULTS AND APPROPRIATION

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 41. The directors recommend the payment of a final dividend of HK6 cents per share, in cash form with a scrip dividend option to the shareholders whose names appear on the register of members on 25 August 2006 amounting to approximately HK\$38,616,000. Details of the dividends for the year are set out in note 12 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

During the year, the Group acquired property, plant and equipment at a total cost of approximately HK\$448,919,000 for the expansion of its business. Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

INVESTMENT PROPERTIES

Details of movements in the investment properties of the Group during the year are set out in note 16 to the financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's reserves available for distribution to shareholders as at 31 March 2006 represented by its accumulated profits, dividend reserve and contributed surplus, totalling approximately HK\$234,946,000.

DIRECTORS AND SERVICE CONTRACTS

The directors of the Company during the year and up to the date of this report were:

Executive directors:

Mr. Li Ming Hung (*Chairman*)

Mr. Chen Tien Tui (*Chief Executive Officer*)

Mr. So Kam Wah

Mr. Lee Yuen Chiu, Andy

Mr. Choi Lin Hung

Independent non-executive directors:

Mr. Kan Ka Hon

Mr. Phaisalakani Vichai (Andy Hung)

Mr. Kwok Sze Chi (*appointed on 31 March 2006*)

Mr. Lau Chung Kwan (*resigned on 31 March 2006*)

In accordance with Clause 87(1) of the Company's Bye-laws, Mr. Li Ming Hung, Mr. Chen Tien Tui and Mr. Choi Lin Hung will retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. All other directors continue in office.

In addition, pursuant to Clause 86(2) of the Company's Bye-laws, Mr Kwok Sze Chi's term of appointment as a director will end at the conclusion of the forthcoming annual general meeting, and Mr Kwok, being eligible, offers himself for re-election at the forthcoming annual general meeting.

No directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which are not determinable by the Group within one year without payment of compensation other than statutory compensation.

The independent non-executive directors have been appointed for a specific term subject to retirement by rotation as required by the Company's Bye-laws.

DIRECTORS' INTERESTS IN CONTRACTS AND CONNECTED TRANSACTIONS

Details of the directors' interests in contract and connected transactions for the year are set out in note 34 to the financial statements.

Pursuant to Rule 14A.38 of the Listing Rules, the Board of Directors engaged the auditors of the Company to perform certain agreed upon procedures in respect of the continuing connected transactions (as defined in the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules")) for the Company to assist the directors to evaluate whether the transactions:

- a. have received approval of the Board of Directors;
- b. have been entered into in accordance with the pricing policies of the Group with reference to similar transactions with independent third parties;
- c. have been entered into in accordance with the terms of the relevant agreement governing such transactions; and
- d. were below the relevant cap amounts as set out in the announcements of the Company dated 29 June 2005 and 9 September 2005.

The auditors of the Company have performed procedures in respect of the transactions in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed Upon Procedures Regarding Financial Information".

The auditors have reported their factual findings on these procedures to the Board of Directors. The independent non-executive directors of the Company have reviewed the transactions and the findings and confirmed that the transactions are:

- a. in the ordinary and usual course of business of the Group;
- b. on normal commercial terms; and
- c. in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

The Company has received, from each of the independent non-executive directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST IN SHARES AND UNDERLYING SHARES

As at 31 March 2006, the interests and short positions of the directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO")) which had been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which were required pursuant to section 352 of the SFO to be entered in the register referred to therein or which were required pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	% of the relevant class of issued share capital of the Company/ associated corporation
Li Ming Hung	The Company	Founder of a trust	94,462,000 ordinary shares of HK\$0.01 each of the Company ("Shares") (L) (Note 2)	-	14.7%
	The Company	Beneficial owner	8,712,000 Shares (L)	-	1.4%
	The Company	Beneficial owner	-	1,500,000 Shares (L) (Note 4)	0.2%
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	-	50%
	Victory City Overseas Limited (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	-	39.4%
Chen Tien Tui	The Company	Founder of a trust	94,462,000 Shares (L) (Note 3)	-	14.7%
	The Company	Beneficial owner	9,330,000 Shares (L)	-	1.4%
	The Company	Beneficial owner	-	1,500,000 Shares (L) (Note 4)	0.2%
	Victory City Company Limited (Note 15)	Beneficial owner	4,000,000 non-voting deferred shares of HK\$1.00 each (L)	-	50%
	Victory City Overseas Limited (Note 15)	Beneficial owner	1,300 redeemable non-voting preference shares of US\$1.00 each (L)	-	39.4%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	% of the relevant class of issued share capital of the Company/ associated corporation
Choi Lin Hung	The Company	Beneficial owner	2,552,000 Shares (L)	-	0.4%
	The Company	Beneficial owner	-	9,000,000 Shares (L) (Note 5)	1.4%
	Victory City Overseas Limited (Note 15)	Beneficial owner	700 redeemable non-voting preference shares of US\$1.00 each (L)	-	21.2%
	Ford Glory Holdings Limited (Note 15)	Interest of controlled corporation	49 shares of US\$1.00 each (L) (Note 6)	-	100%
	CSG Apparel Inc. (Note 15)	Interest of controlled corporation	One common stock of CAD1.00 (L) (Note 7)	-	100%
	Ford Glory International Limited (Note 15)	Interest of controlled corporation	5,000,000 ordinary shares of HK\$1.00 each (L) (Note 13)	-	100%
	Glory Time Limited (Note 15)	Interest of controlled corporation	70 ordinary shares of HK\$1.00 each (L) (Note 10)	-	70%
	Mayer Apparel Limited (Note 15)	Interest of controlled corporation	51 ordinary shares of HK\$1.00 each (L) (Note 11)	-	51%
	PT Victory Apparel Semarang (Note 15)	Interest of controlled corporation	300,000 ordinary shares of US\$1.00 each (L) (Note 9)	-	100%
	Silver Success Limited (Note 15)	Interest of controlled corporation	90 ordinary shares of HK\$1.00 each (L) (Note 10)	-	90%
	Surefaith Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	-	100%
	Top Star Limited (Note 15)	Interest of controlled corporation	2 ordinary shares of HK\$1.00 each (L) (Note 13)	-	100%
	Top Value Inc. (Note 15)	Interest of controlled corporation	200 common shares of no par value (L) (Note 12)	-	100%
	Value Plus (Macao Commercial Offshore) Limited (Note 15)	Interest of controlled corporation	Quota capital of MOP100,000 (L) (Note 14)	-	100%
	Victory Apparel Jordan Manufacturing Ltd. (Note 15)	Interest of controlled corporation	50,000 ordinary shares of JD\$1.00 each (L) (Note 8)	-	100%

Name of Director	The Company/ name of associated corporation	Capacity	Interest in shares (Note 1)	Interest in underlying shares of share options (Note 1)	% of the relevant class of issued share capital of the Company/ associated corporation
	Wealth Choice Limited (Note 15)	Interest of controlled corporation	10 ordinary shares of US\$1.00 each (L) (Note 13)	-	100%
	福之源貿易(上海) 有限公司 (Note 15)	Interest of controlled corporation	Registered capital of RMB1,000,000 (L) (Note 7)	-	100%
Lee Yuen Chiu, Andy	The Company	Beneficial owner	-	9,000,000 Shares (L) (Note 5)	1.4%
So Kam Wah	The Company	Beneficial owner	-	9,000,000 Shares (L) (Note 5)	1.4%
Phaisalakani Vichai	The Company	Beneficial owner	200,000 Shares (L)	-	0.03%

Notes:

- The letter "L" represents the director's interests in the share and underlying shares of the Company or its associated corporations.
- These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Li Ming Hung's family.
- These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Mr. Chen Tien Tui's family.
- On 9 October 2003, each of Messrs. Li Ming Hung and Chen Tien Tui were granted 500,000 options under the option scheme of the Company to subscribe for 500,000 Shares, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011.

On 7 June 2004, Messrs. Li Ming Hung and Chen Tien Tui were granted options under the share option scheme of the Company to subscribe for 1,000,000 Shares and 1,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011.
- On 23 May 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted 1,500,000, 1,500,000 and 3,300,000 options respectively under the share option scheme of the Company to subscribe for 1,500,000 shares, 1,500,000 Shares and 3,300,000 Shares respectively, exercisable at a price of HK\$2.35 per Share during a period from 27 May 2003 to 29 November 2011.

On 9 October 2003, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 3,500,000 shares, 3,500,000 shares and 1,700,000 shares, respectively, exercisable at a price of HK\$3.04 per share during a period from 9 October 2004 to 29 November 2011.

On 7 June 2004, Messrs. Choi Lin Hung, Lee Yuen Chiu, Andy and So Kam Wah were granted options under the share option scheme of the Company to subscribe for 4,000,000 Shares, 4,000,000 Shares and 4,000,000 Shares respectively, exercisable at a price of HK\$3.15 per Share during a period from 7 June 2004 to 29 November 2011.

6. These shares, representing 49% of the issued share capital of Ford Glory Holdings Limited, were held by Merlotte Enterprise Limited which is wholly owned by Mr. Choi Lin Hung.
7. This common stock or, as the case may be, registered capital was beneficially owned by Ford Glory International Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
8. These shares was beneficially owned by Wealth Choice Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
9. These shares was beneficially owned by Surefaith Limited which is a wholly owned subsidiary of Ford Glory Holdings Limited.
10. Silver Success Limited is 90% owned by Glory Time Limited which is in turn 70% owned by Ford Glory Holdings Limited.
11. Mayer Apparel Limited is 51% owned by Ford Glory Holdings Limited.
12. These common shares were beneficially owned by Ford Glory Holdings Limited.
13. These shares were beneficially owned by Ford Glory Holdings Limited.
14. This quota capital was beneficially owned by Ford Glory Holdings Limited.
15. These companies are subsidiaries of the Company.

Save as disclosed above in this report, as at 31 March 2006, none of the directors and chief executive of the Company had any interest and short positions in the shares, underlying shares and debentures of the Company or any associated corporations (with the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions in which they were deemed or taken to have under such provisions of the SFO) or which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Listing Rules.

DISCLOSEABLE INTEREST UNDER DIVISIONS 2 AND 3 OF PART XV OF THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, according to the register kept by the Company pursuant to section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiring by the directors, the following persons (other than directors and chief executive of the Company) had an interest or short position in the Shares and/or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of person	Number of Shares (Note 1)	Capacity	Approximate percentage of interest
Pearl Garden Pacific Limited	94,462,000 (L)	Beneficial owner (Note 2)	14.68%
Cornice Worldwide Limited	94,462,000 (L)	Interest of controlled corporation (Note 2)	14.68%
Madian Star Limited	94,462,000 (L)	Beneficial owner (Note 3)	14.68%
Yonice Limited	94,462,000 (L)	Interest of controlled corporation (Note 3)	14.68%
Trustcorp Limited	188,924,000 (L)	Trustee (Notes 2, 3 & 4)	29.35%
Newcorp Ltd.	188,924,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	29.35%
Newcorp Holdings Ltd.	188,924,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	29.35%
David Henry Christopher Hill	188,924,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	29.35%
David William Roberts	188,924,000 (L)	Interest of controlled corporation (Notes 2, 3 & 4)	29.35%
Rebecca Ann Hill	188,924,000 (L)	Interest of spouse (Notes 2, 3, 4 & 5)	29.35%
Ho Yuen Mui, Shirley	104,674,000 (L)	Interest of spouse (Note 6)	16.26%
Or Kwai Ying	105,292,000 (L)	Interest of spouse (Note 7)	16.36%
Morgan Stanley	53,161,026 (L) 8,016,000 (S)	Interest of controlled corporations (Note 8)	8.26% 1.25%

Notes:

1. The letter "L" represents the person's interests in the Share and underlying Shares, and the letter "S" represents the person's short position in the Share and underlying Shares.
2. These Shares were held by Pearl Garden Pacific Limited. Pearl Garden Pacific Limited is wholly owned by Cornice Worldwide Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Li Ming Hung's family.
3. These Shares were held by Madian Star Limited. Madian Star Limited is wholly owned by Yonice Limited, the entire issued share capital of which is held by Trustcorp Limited as discretionary trustee for Chen Tien Tui's family.
4. Trustcorp Limited is wholly owned by Newcorp Ltd. which is in turn wholly owned by Newcorp Holdings Ltd. Newcorp Holdings Ltd is owned as to 35% by David Henry Christopher Hill, as to 35% by David William Roberts and as to 30% by Michael J. Kenney-Herbert.
5. Rebecca Ann Hill is the wife of David Henry Christopher Hill.
6. Ho Yuen Mui, Shirley is the wife of Li Ming Hung.
7. Or Kwai Ying is the wife of Chen Tien Tui.
8. Morgan Stanley Investment Management Company directly held 44,945,026 Shares and is wholly owned by Morgan Stanley Dean Witter (Singapore) Holdings Pte Ltd. which is in turn wholly owned by Morgan Stanley Asia Regional (Holdings) III LLC. Morgan Stanley Asia Regional (Holdings) III LLC is wholly owned by Morgan Stanley Asia Pacific (Holdings) Limited which is 90% owned by Morgan Stanley International Holdings Inc.; whereas, Morgan Stanley International Holdings Inc. is 80% owned by Morgan Stanley International Incorporated which is in turn 90% owned by Morgan Stanley Domestic Capital, Inc.. Morgan Stanley Domestic Capital, Inc. is wholly owned by Morgan Stanley Capital Management, LLC which is in turn wholly owned by Morgan Stanley.

Morgan Stanley Asset & Investment Trust Management Co. Limited held 4,008,000 Shares and is wholly owned by Morgan Stanley International Incorporated.

Morgan Stanley & Co International Limited held 114,000 Shares and had a short position in 3,922,000 Shares. It is wholly owned by Morgan Stanley UK Group which is in turn wholly owned by Morgan Stanley Group (Europe). Morgan Stanley Group (Europe) is wholly owned by Morgan Stanley International Limited which is wholly owned by Morgan Stanley International Holdings Inc.

MSDW Equity Finance Services I (Cayman) Limited held 4,094,000 Shares and had a short position in 4,094,000 Shares. It is wholly owned by MSDW Offshore Equity Services Inc which is in turn wholly owned by Morgan Stanley.

Save as disclosed above, so far as is known to the directors, as at 31 March 2006, there was no person (other than a director or chief executive of the Company) who had an interest or short position in the Shares and/or underlying Shares in the Company (including interest in options, if any) which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

SHARE OPTIONS

Details of the Company's share option scheme are set out in note 27 to the financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EMOLUMENT POLICY

The emolument policy of the employees of the Group is set up by the remuneration committee of the Company on the basis of their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the remuneration committee of the Company, having regard to the Company's operating results, individual performance and comparable market statistics.

The Company has adopted a share option scheme as an incentive to directors and eligible employees, details of the scheme are set out in note 27 to the financial statements.

COMPETING BUSINESS INTERESTS OF DIRECTORS

None of the directors of the Company or their respective associates have any interests in a business which competes or may compete with the business of the Company.

CONTRACT OF SIGNIFICANCE

Save as disclosed in this annual report, there is no contract of significance to the Group subsisting as at 31 March 2006 in which a director of any member of the Group is or was materially interested, either directly or indirectly.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Bye-laws although there are no restrictions against such rights under the laws in Bermuda.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31 March 2006.

AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

Li Ming Hung

Chairman

Hong Kong

12 July 2006