

The directors have pleasure in presenting their report and the audited financial statements of the Company and of the Group for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the Company's subsidiaries are set out in note 18 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

RESULTS AND DIVIDENDS

The Group's profit for the year ended 31 March 2006 and the state of affairs of the Company and of the Group at that date are set out in the financial statements on pages 36 to 94.

The directors of the Company recommended the payment of a final dividend of HK0.8 cent per ordinary share in respect of the year to shareholders whose names appear on the register of members of the Company on 5 September, 2006. Together with the interim dividend of HK0.5 cent per ordinary share paid on 23 February 2006, the Company's total dividends amount to HK1.3 cents per ordinary share in respect of the year ended 31 March 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 31 August 2006 to Tuesday, 5 September 2006 (both dates inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for entitlement to the proposed final dividend for the year ended 31 March 2006 and qualify for attending the annual general meeting of the Company to be held on Tuesday, 5 September 2006, all transfers of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's Share Registrar in Hong Kong, Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 30 August 2006.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the audited financial statements and reclassified as appropriate, is set out below.

Results

	Year ended 31 March				
	2006 HK\$'000	2005 HK\$'000 (Restated)	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Turnover	1,343,852	913,844	739,677	579,652	459,059
Profit before taxation	138,467	118,973*	137,116	24,525	43,614
Taxation	(17,628)	(11,709)*	(10,832)	(2,793)	(6,015)
Minority interests	(17,433)	(11,279)	(12,412)	2,095	–
Profit attributable to equity holders of the Company	103,406	95,985	113,872	23,827	37,599

Assets and liabilities

	At 31 March				
	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000	2002 HK\$'000
Total assets	1,797,830	1,223,090	919,485	615,548	410,523
Total liabilities	(750,147)	(494,915)	(346,785)	(264,113)	(166,932)
Minority interests	(21,588)	(7,355)	(10,536)	2,383	–
Total equity attributable to equity holders of the Company	1,026,095	720,820	562,164	353,818	243,591

* Restated to conform to new and revised accounting standards effective in 2005/06.

FIXED ASSETS AND INVESTMENT PROPERTIES

Details of movements in fixed assets and investment properties of the Group and of the Company during the year are set out in notes 14 and 16 respectively to the financial statements.

SHARE CAPITAL, SHARE OPTIONS AND WARRANTS

Details of movements in the Company's share capital, share options and warrants during the year, together with the reasons therefor, are set out in notes 28 and 29 to the financial statements.

Details of the Company's share option scheme are set out in note 29 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in the consolidated statement of changes in equity and in note 30 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31 March 2006, the Company's reserves available for cash distribution and/or distribution in specie, comprising the contributed surplus and retained profits, amounted to approximately HK\$63,640,000. In addition, the Company's share premium account in the amount of approximately HK\$423,365,000 may be distributed in the form of fully paid bonus shares.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the five largest customers of the Group accounted for approximately 30% of the Group's total turnover for the year. In particular, sales to the largest customer of the Group accounted for approximately 12% of the Group's total turnover for the year.

Purchases from the five largest suppliers of the Group accounted for approximately 42% of the Group's total purchases for the year. In particular, purchases from the Group's largest supplier accounted for approximately 11% of the Group's total purchases for the year.

As far as the directors are aware, neither the directors of the Company nor any of their associates nor any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or five largest suppliers.

DIRECTORS

The directors of the Company during the year were:

Executive directors:

Mr. Leung Ngok
Mr. Leung Shing
Mr. Lee Ka Yiu, Andy

Independent non-executive directors:

Mr. Jia Luqiao
Mr. Wong Kong Hon
Mr. Yang Dong Hui (appointed on 13 July 2005)
Mr. Wong Kai Cheong

In accordance with clause 87 of the Company's bye-laws, Mr. Leung Ngok, Mr. Lee Ka Yiu, Andy and Mr. Wong Kai Cheong, the existing directors of the Company, will retire at the forthcoming annual general meeting of the Company. Mr. Lee Ka Yiu, Andy will not offer himself for re-election at the said general meeting whereas the other two retiring directors, Mr. Leung Ngok and Mr. Wong Kai Cheong, being eligible, will offer themselves for re-election at the said general meeting.

The Company has received confirmation of independence from each of Mr. Jia Luqiao, Mr. Wong Kong Hon, Mr. Wong Kai Cheong and Mr. Yang Dong Hui and considers that they meet the requirements of the independence guidelines as set out in Rule 3.13 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Executive directors

Mr. Leung Ngok, aged 47, is the Chairman of the Company. He founded the Group in 1983 and is responsible for the overall strategic planning and formulation of corporate policies of the Group. Prior to the founding of the Group, Mr. Leung was a production manager of a garments retailing company. Mr. Leung has over 24 years of experience in the apparel manufacturing and distribution business. Mr. Leung is the elder brother of Mr. Leung Shing, an executive director.

Mr. Leung Shing, aged 44, is the Deputy Chairman of the Company and co-founder of the Group. Mr. Leung is responsible for the overall strategic planning, sales, retail and distribution operations as well as the business development and administration of the Group. Prior to the founding of the Group, Mr. Leung was a shop manager of a garments retailing company. Mr. Leung has over 24 years of experience in the retail services industry. Mr. Leung is the younger brother of Mr. Leung Ngok, an executive director.

Mr. Lee Ka Yiu, Andy, aged 42, is an executive director of the Company and is responsible for the retail and distribution operations and market development of the Group. Mr. Lee joined the Group in 1995 and has over 14 years of experience in the retail services industry. Mr. Lee was a sales manager of a textile company in Hong Kong prior to joining the Group.

Independent non-executive directors

Mr. Jia Luqiao, aged 66, is an independent non-executive director of the Company. After graduated from the Capital University of Economics and Business in 1964, Mr. Jia taught at the university. From 1973 to 1992, Mr. Jia worked at Tianjin Institute of Textile Science and Technology (currently renamed as Tianjin Polytechnic University) for the positions of teacher, dean, head of department, deputy president and president respectively. Mr. Jia was the president of the Beijing Institute of Clothing Technology from August 1992 to 1994. Mr. Jia was the president of the China Textile Academy from 1995 to 2003. Since November 2003, Mr. Jia has been the chairman of the Development and Strategic Committee of the China Textile Academy.

Mr. Wong Kong Hon, aged 64, is an independent non-executive director of the Company. Mr. Wong is the member of the Standing Committee, The National Committee of the 10th Chinese People's Political Consultative Conference, the Vice-chairman of the Hong Kong Chinese General Chamber of Commerce, a Justice of Peace and the recipient of the Silver Bauhinia Star in year 2002.

Mr. Yang Dong Hui, aged 61, is an independent non-executive director of the Company. Mr. Yang graduated from Tsinghua University in 1970 and is currently the vice president of China National Textile Industry Council (中國紡織工業協會) and officer of its Industry Division. Mr. Yang is also an officer of National Textile Industry Economic Research Centre (中國紡織經濟研究中心). He has been the president of National Association of Domestic Textile Products Industry (中國家用紡織品行業協會) since 1999.

Mr. Wong Kai Cheong, aged 44, is an independent non-executive director of the Company. Mr. Wong is an accountant practising in Hong Kong with more than 15 years of experience in auditing, corporate finance and consultancy. He is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Wong is also an independent non-executive director of Coastal Greenland Limited, Continental Holdings Limited and Radford Capital Investment Limited, all of which are listed companies in Hong Kong.

Senior Management

Mr. Ng Chi Yin, aged 40, is the Financial Controller, Qualified Accountant and the Secretary of the Company. Mr. Ng is responsible for the accounting and financial control functions of the Group. He joined the Group in 1999. Mr. Ng holds a bachelor degree in Business Administration majoring in Accounting from the Chinese University of Hong Kong. Before joining the Group, Mr. Ng worked in an international accounting firm and has over 12 years of experience in auditing, accounting and finance. He is a member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. Low John Meng, aged 41, is the Group's Corporate Finance Manager and responsible for the development of the Group's investment business and treasury functions. Mr. Low joined the Group in 2002 and holds a bachelor degree in Economics from the Macquarie University, Australia. He has over 14 years of experience in banking and finance.

Mr. Leung Siu Kan, Stephen, aged 58, is the Group's PRC Business Operation Manager and responsible for the operation management of business in the PRC. Mr. Leung joined the Group officially on 1 April 2005. He has more than twenty years of experiences in retail and management of apparels and garments operations.

Ms. Yim Yuk Lam, aged 46, is the Group's Hong Kong Apparels Operation Manager and responsible for the sales and marketing of the Group's apparels business in Hong Kong. Ms. Yim joined the Group in 2002. She has twenty years of experiences in retail and management of apparels. She is the wife of Mr. Leung Ngok, the Chairman of the Group.

Ms. Cheung Wai Yu, aged 34, is the Group's Administration Manager and responsible for office administration. Ms. Cheung holds a bachelor degree in Industry Economics from Tam Kang University, Taiwan and joined the Group in 1996. Ms. Cheung worked for the retail operations department of a British conglomerate prior to joining the Group.

Mr. Ding Yi, aged 44, is the Group's Business Promotion Manager in the PRC and responsible for marketing in the PRC. Mr. Ding joined the Group in 2002. He holds both a bachelor degree and master degree in Science from Tongji University. He has over 13 years of experience in business development and corporate management.

Mr. Ye Zheming, aged 44, is the Group's Investment Management Manager in the PRC and responsible for financial management in the PRC. Mr. Ye joined the Group in 2004. He holds a bachelor degree in Economics from Hebei College of Geology (河北地質學院) and obtains the professional title of National Senior Economist (國家高級經濟師). Mr. Ye has 23 years of experience in financial and operation management in textile corporations in mainland China.

Mr. Ding Wei, aged 37, is the Group's Business Development Manager in the PRC and responsible for expansion and operation of the Group's apparels new business in the PRC. Mr. Ding joined the Group in April 2005. He has a bachelor degree in Business Administration awarded by Shaanxi Mechanical Institute (陝西機械學院) and the title of Internationally Registered Business Administrator (Senior) awarded by Beijing International Accreditation and Registration Institute. Mr. Ding has twelve years of experiences in expansion and management for retail and wholesale of branded apparels in the PRC.

Mr. Su Zhijun, aged 41, is the Chief Engineer in Production Technology of the Group's Texnology Nano business, responsible for the management of production technology and craft of Texnology Nano. Mr. Su joined the Group in 2003. He holds a bachelor degree in Textile and Chemical Engineering from Wuhan Textile Engineering College (武漢紡織工學院) and obtains the professional title of Textile Dying Engineer (紡織整染工程師). Mr. Su has 14 years of experience in the technology research and development and management in textile dying corporations in mainland China.

DIRECTORS' SERVICES CONTRACTS

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing from 1 November 2000 and shall automatically continue for successive terms of one year upon expiry unless terminated by either party giving not less than six months' notice in writing to the other party.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Other than those transactions disclosed in note 32 to the financial statements, no director of the Company had a significant beneficial interest, either direct or indirect, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

DIRECTORS' INTERESTS IN SHARES

As at 31 March 2006, the interests of the directors of the Company in the shares of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance (the "SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Name	Long/short position	Capacity	Number of ordinary shares of the Company interested	Percentage of the Company's issued share capital
Mr. Leung Ngok	Long	Beneficial owner	109,221,000	4.08%
	Long	Founder of a discretionary trust	1,009,557,179 (<i>Note</i>)	37.67%

Note: These shares were owned by ACE Target Inc. as trustee of The Target Unit Trust, a unit trust of which all of the units in issue are owned by Trident Trust Company (B.V.I.) Limited (the surviving company after the merger with Trident Corporate Services (B.V.I.) Limited) as trustee of The Leung Ngok Family Trust, a discretionary trust of which the objects include Mr. Leung Ngok's family members.

Accordingly, Mr. Leung Ngok, as founder of The Leung Ngok Family Trust, was deemed to be interested in the shares owned by ACE Target Inc. in its capacity as the trustee of The Target Unit Trust under Part XV of the SFO.

In addition to the above, as at 31 March 2006, certain directors of the Company held shares in certain subsidiaries of the Company in a non-beneficial capacity, solely for the purpose of complying with the previous requirements of a minimum of two shareholders.

Report of the Directors

Save as disclosed above, as at 31 March 2006, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within 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 interests and short positions which he was taken or deemed to have taken under such provisions of the SFO) or which were required to be entered into the register kept by the Company pursuant to Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Apart from as disclosed under the heading "Directors' Interests in Shares" above and under the heading "Share Option Scheme" in note 29 to the financial statements, at no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, or chief executives or their spouses or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporates.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 March 2006, the following interests of 5% or more in the shares and underlying shares of the Company were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of substantial shareholder	Long/short position	Capacity	Number of ordinary shares of the Company interested	Note	Percentage of the Company's issued share capital
ACE Target Inc.	Long	Trustee	1,009,557,179	(1)	37.67%
Trident Trust Company (B.V.I.) Limited	Long	Trustee	1,009,557,179	(1)	37.67%
Ms. Yim Yuk Lam	Long	Interest of spouse	1,118,778,179	(2)	41.75%

Notes:

- (1) Such interest was also disclosed as the interest of Mr. Leung Ngok in the above section headed "Directors' Interests in Shares".
- (2) Ms. Yim Yuk Lam was deemed to be interested in the 1,118,778,179 shares of the Company through interest of her spouse, Mr. Leung Ngok.

Save as disclosed above, as at 31 March 2006, no persons, other than the directors of the Company whose interests are set out in the above section headed "Directors' Interests in Shares", had an interest or a short position in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO.

CORPORATE GOVERNANCE

Details of the corporate governance are set out in the section headed “Corporate Governance Report” in this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, as at the date of this report, there is sufficient public float of not less than 25% of the Company’s issued shares as required under the Listing Rules.

EVENT AFTER THE BALANCE SHEET DATE

Details of the significant event after the balance sheet date of the Group are set out in note 36 to the financial statements.

GENERAL DISCLOSURE OBLIGATION UNDER RULE 13.21 OF THE LISTING RULES

As detailed in the Company’s press announcement dated 18 July 2005, a wholly owned subsidiary of the Company (the “Borrower”), had entered into an agreement (the “Facility Agreement”) relating to a term loan facility of up to HK\$220,000,000 and a revolving facility of up to HK\$110,000,000 with a syndicate of banks (the “Lenders”). The termination date of the Facility Agreement is the date falling 36 months after the date of the Facility Agreement.

The Facility Agreement has imposed an obligation on the Borrower to procure that Mr. Leung Ngok (a director of the Company), his family members, related trusts and companies controlled by him shall at all times remain the direct or indirect beneficial owner of at least 30% of the total issued share capital of the Company and the beneficial owner of the single largest shareholding block in the total issued share capital of the Company. A breach of the aforesaid obligation will constitute an event of default under the Facility Agreement. Upon the occurrence of an event of default under the Facility Agreement, the loans outstanding, together with the interest accrued thereon, be immediately due and payable.

As the above specific performance obligation as imposed under the Facility Agreement continues to exist as at the year end, the Company is required to make the above disclosure pursuant to Rule 13.21 of the Listing Rules. In addition, the above performance obligation has been duly satisfied up to the year end.

USE OF PROCEEDS FROM AN OPEN OFFER

The net proceeds from an open offer of the Company was approximately HK\$218 million, of which as to approximately HK\$168 million and HK\$50 million has been intended to fund the expansion of the Group's retail network in Hong Kong and the Mainland China respectively. Up to 31 March 2006, approximately HK\$65 million and HK\$39 million of the net proceeds had been utilised to fund the expansion of the Group's retail network in Hong Kong and the Mainland China respectively.

AUDITORS

RSM Nelson Wheeler will retire and a resolution for their re-appointment as auditors of the Company will be proposed at the Company's forthcoming annual general meeting.

On behalf of the Board

Leung Ngok
Chairman

Hong Kong, 25 July 2006