

Directors' Report

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of knitted fabrics and dyed yarns, provision of dyeing, bleaching, setting and finishing services and garment products.

RESULTS

The results of the Group for the year ended 31st March, 2006 are set out in the consolidated income statement on page 20 of the annual report.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31st March, 2006, the Company's reserves available for distribution consisted of contributed surplus of HK\$153,400,000 (2005: HK\$153,400,000) and retained profits of HK\$8,810,000 (2005: HK\$8,878,000).

DIRECTORS

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

Executive directors:

Mr. Li Man Ching (*Chairman*)

Ms. Li Mei Lin (*Deputy Chairman and Chief Executive Officer*)

Mr. Li Man Shun

Mr. Fung Chi Ki

Independent non-executive directors:

Mr. Lau Chung Man, Louis

Mr. Tsui Wing Yin

Mr. So Kin Wah

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In accordance with Article 110(A) of the Company's Bye-laws, Messrs. Li Man Shun, Lau Chung Man, Louis and Tsui Wing Yin shall retire at the forthcoming annual general meeting. Mr. Li Man Shun and Mr. Tsui Wing Yin shall offer themselves for re-election, and Mr. Lau Chung Man, Louis, after serving the Company for more than nine years, decided not to offer himself for re-election.

The term of office for each independent non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

DIRECTORS' SERVICE CONTRACTS

Mr. Li Man Shun and Mr. Tsui Wing Yin have entered into service contracts with the Company for the term commencing from 1st March, 2004 and 1st March, 1999, respectively. All their appointments shall continue thereafter, subject to termination by either party giving at least three months' prior notice to the other party.

Other than as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

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

At 31st March, 2006, the interests of the directors, the chief executives and their associates in the shares and underlying shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they have taken or are deemed 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 which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers contained in the Rules Governing the Listing of Securities (the "Listing Rules") to be notified to the Company and the Stock Exchange, were as follows:

Long position

Name of director	Number of ordinary shares		Interest in underlying shares pursuant to share option	Aggregated interest	Percentage of the issued share capital of the Company
	Personal interests	Other interests <i>(note)</i>			
Ms. Li Mei Lin	-	164,403,000	1,500,000	165,903,000	42.7%
Mr. Li Man Shun	-	164,403,000	-	164,403,000	42.3%
Mr. Fung Chi Ki	-	-	1,933,200	1,933,200	0.5%

Note: Ms. Li Mei Lin and Mr. Li Man Shun beneficially own 30,600 shares and 29,700 shares, respectively, in Rayten Limited, representing, 34% and 33% cent, respectively, of the issued share capital of Rayten Limited, which in turn owns 164,403,000 shares of HK\$0.10 each in the Company.

Other than disclosed above, none of the directors, chief executives, nor their associates had any interests or short position in any shares, underlying shares or debentures of the Company or any of its associated corporation as at 31st March, 2006.

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than the share option holdings described in note 24 to the consolidated financial statements, at no time during the year was the Company nor any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed above in respect of certain directors, the register of substantial shareholders maintained by the Company pursuant to section 336 of SFO discloses no person as having a notifiable interests or short positions in the issued capital of the Company as at 31st March, 2006.

SHARE OPTION SCHEME

Details of the Company's share options scheme are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

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

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CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st March, 2006 with the Code on Corporate Government Practices as set out in Appendix 14 of the Listing Rules on the Stock Exchange, except for the deviation from code provision of A.4.1, pursuant to which, non-executive directors should be appointed for a specific term and subject to re-election. The Company's independent non-executive directors are not appointed for a specific terms but are subjected to retirement by rotation under the Company's Bye-laws, so that every independent non-executive directors shall retire at least once every three years.

The Company has adopted the Model Code for Securities Transactions by Directors of listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules on the Stock Exchange as the code of conduct regarding securities transactions by directors. Having made specific enquiry of all directors, all directors confirmed they have complied with the required standard set out in the Model Code.

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 its independent non-executive directors are independent.

SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st 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



CHAIRMAN

Hong Kong, 21st July, 2006