BUSINESS REVIEW AND PROSPECTS

For the six months ended 30 September 2006, the Group's total revenue reached HK$1.82 billion, representing an increase of 28% over the same period last year. Boosted by the strong revenue growth, gross profit and profit attributable to equity holders of the Company rose by 33% and 28% respectively, to HK$368 million and HK$156 million. Basic earnings per share also increased from 21.6 cents to 24.3 cents for the period under review.

Production and sales of knitted fabric and dyed yarn remained as the principal operation of the Group and accounted for 68% of the consolidated revenue. Revenue of this business segment reached HK$1.24 billion, signifying an increase of 31% as compared with the previous period. The upsurge was mainly contributed to enhanced utilisation rates as well as our gradual expansion of monthly production capability of knitted fabric from 12 million pounds to 15 million pounds during the period under review. Improvements of production efficiency and product quality were achieved through our investment in the up-to-date models of machineries. Furthermore, the dedicated effort of the marketing teams in exploring both worldwide and domestic China markets and the management's tightened control of operating costs also contributed to both revenue and profit growth. It is envisaged that the growth momentum will be sustained in the second half of the financial year.

Recently, the PRC authorities have enforced tighten measures on environmental protection. Our Xinhui factories are well-equipped with sufficient and up-to-standard effluent discharge facilities for the manufacturing operations. To cater for our future capacity expansion, further enhancement and upscaling of the effluent discharge facilities including installation of new water recycle system and effluent treatment plant have been implemented by phases.

The garment segment continued to demonstrate satisfactory performance during the period under review by achieving a 22% growth in revenue to HK$585 million, accounted for 32% of the consolidated revenue. The diversified global out-sourcing base together with our self-owned garment manufacturing facilities in Jordan, PRC and Indonesia enable the Group to provide comprehensive services to our customers through flexible and efficient production plans as well as diversified product ranges. The management is confident that the garment business will continue to play an important role in the corporate development of the Group in the coming years.

It is anticipated the global trading environment will remain highly competitive with continuing pressures on operating costs. The Directors remain cautiously optimistic towards the second half of the financial year as our business developments are on the right trajectory. The vertical set-up of the Group from yarn dyeing, knitted fabric manufacturing to garment sourcing, manufacturing and exporting laid down strong foundation for future business growth. We are well-positioned to excel and to capitalize on any strategic opportunities that fit our corporate vision so as to maintain our uninterrupted record of growth for our shareholders.

There has been no important event affecting the Group which occurred since 30 September 2006.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2006, the Group had total assets of HK$4,127,157,000 (31 March 2006: HK$3,638,188,000) which were financed by current liabilities of HK$1,886,332,000 (31 March 2006: HK$1,425,159,000), long term liabilities of HK$502,160,000 (31 March 2006: HK$610,342,000) and shareholders' equity of HK$1,664,492,000 (31 March 2006: HK$1,547,162,000) The current ratio was approximately 1.3 (31 March 2006: 1.5) and the gearing ratio, being the ratio of total borrowings (net of bank balances and cash) to shareholders' funds was 68% (31 March 2006: 57%). The Directors are comfortable to maintain the ratios at this level. 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.

Exposure to Fluctuation in Foreign Exchange

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

Capital Expenditure

During the period, the Group invested approximately HK$189 million in property, plant and equipment, of which 47% was used for purchase of plant and machinery and 51% for acquisition of property and construction of new factory plant.

As at 30 September 2006, the Group had capital commitments of approximately HK$162 million in respect of acquisition of property, plant and equipment and investment properties, which are financed by long-term bank borrowings.