Chairman's Statement

The Group's total turnover for the year ended 31 March 2006 was HK$867.7 million, an increase of 18.2% compared to HK$733.9 million for the previous year, despite the uncertainties and disruption encountered by the Group's textiles and clothing operations. The profit for the year attributable to equity holders of the Company, however, has been reduced to HK$59.9 million, reporting a decrease of HK$73.6 million or 55.1% as compared to the restated profit of HK$133.5 million for the previous year. Earnings per share for the year was HK$0.23 compared to HK$0.51 restated for the previous year.

Several factors accounted for the decrease in the Group's profit. Firstly, the gain of HK$47.6 million on the disposal of land and building in the previous year was not repeated. Secondly, the changes in the Group's accounting policies in the year, although increasing the profits of both years in comparison, have resulted in a decrease in profit of HK$6.9 million year on year. Thirdly, contributions from associated companies and jointly controlled entities reported a decrease of about HK$10.5 million on top of a loss of HK$4.0 million arising from the sale of a jointly controlled entity. The operating profit before interest of the Group's textiles and clothing segment also decreased by HK$10.9 million, but this has been cushioned by the increase of HK$8.3 million in the operating profit before interest of the Group's investments segment.

CHANGES IN ACCOUNTING POLICIES

The Group changed certain accounting policies in the year following the adoption of the new and revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and interpretations (collectively "new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005 and which are relevant to the Group's operations. For all changes in the Group's accounting policies taken together, the Group's profit attributable to shareholders for the year has been increased by about HK$8.8 million, whereas the profit for the previous year has been restated and increased by HK$15.7 million. The increase is principally due to the recognition of the increase in fair value of financial assets at fair value through profit or loss and investment properties net of the associated deferred taxation in the Group's profit and loss account. In terms of the Group's balance sheet, the changes in accounting policies have resulted in an increase of HK$484.4 million in net assets as well as in equity as at 31 March 2006, mainly for the reason that the Group's long term listed investments are now carried at fair value and the increase in fair value is recognised in the investment revaluation reserve.

BUSINESS REVIEW

Textiles and Clothing

Turnover of the Group's textiles and clothing segment for the year under review was HK$844.0 million, an increase of 19.2% as compared to HK$708.1 million for the previous year. In spite of the increase in turnover, the operating profit before interest of this segment for the year under review was reduced to HK$17.6 million, a decrease of 38.0% compared to HK$28.4 million for the previous year. Before Mainland China came to agreement with the U.S. and the EU respectively on the anti-surge safeguard arrangements, chaos reigned the market. Order patterns were disrupted and additional costs in production, sourcing and distribution were incurred to cope with the confusion. Whereas the market was more orderly in the second half of the year under review, keen price competition on a global scale prevailed throughout the year and is continuing.

For the year under review, the wool knitting division fared better than expected, but results of the woven garment division have been affected by labour and electricity shortages in its Panyu operation in the first 6 months and by the expenses relating to the closure of its Hong Kong factory towards the end of the year under review. The finished yarn trading division improved its sales and profit marginally. Both the wool spinning and finished fabric trading divisions reported thinner sales and while the former reported widened loss, the latter was able to narrow down its loss considerably.

In terms of markets, only local sales reported a small decline due to weaker sales of woollen yarns.

Investment

The turnover of this segment, comprising dividend income from both listed and unlisted investments, amounted to HK$20.1 million for the year ended 31 March 2006. The comparative figure for the previous year was HK$22.6 million, which included a special dividend declared by one of the listed investments held. Including the realized gains on disposal and unrealized fair value gains of financial assets at fair value through profit or loss, the operating profit before interest of this segment was HK$32.5 million, compared to HK$24.2 million for the previous year.

Others

This segment covers miscellaneous non-core businesses carried on by the Group in Hong Kong and Mainland China. For the year under review, turnover of this segment was

HK$3.6 million and its operating profit before interest of HK$4.8 million included a fair value gain on investment properties in the sum of HK$4.3 million. For the previous year in comparison, the turnover of this segment was HK$3.2 million and its operating profit before interest had been restated to HK$17.7 million, including the first recognition of a fair value gain on investment properties in the sum of HK$18.9 million.

Major items not allocated to segments

During the year, a 46.83% owned jointly controlled entity, Wuxi Zhong Cui Foods Company Ltd., was disposed of at a loss of HK$4.0 million. The loss on disposal was accounted for by the realisation of exchange fluctuation reserve. Apart from the foregoing and the unallocated corporate expenses, there were no major items not allocated to segments in the year under review.

Interest Income and Finance Costs

Due to the increase in market interest rate, the Group's finance costs increased from HK$1.4 million for the previous year to HK$6.4 million for the year under review. On the other hand, the Group's interest income was raised from HK$10.7 million to HK$19.0 million due to an enlarged portfolio of equity linked notes held and also due to the increase in bank deposit rates.

Associated Companies and Jointly Controlled Entities

The Group's share of the results of associated companies for the year under review was a combined profit of HK$22.4 million after tax, compared to HK$23.1 million for the previous year. The 50% owned Winsor Health Products Ltd. continued its steady growth and there was attributable profit from the sale of property by an associated company in Malaysia. However, attributable profit of the 50% owned National Garments Manufacturing Private Ltd. in Singapore has been reduced and provisions were made by 2 associated companies for impairment of their investments.

Combined results of the Group's jointly controlled entities showed a loss after tax of HK$14.8 million, widening the combined loss of HK$5.0 million for the previous year. In particular, the results of the 46% owned Suzhou Nan Xin Cement Co., Ltd. have been severely hit by the macroeconomic control programme in Mainland China. Following a 53% reduction in profit in the previous year, this jointly controlled entity reported an attributable loss of HK$9.8 million for the year under review.

GROUP STRUCTURE

Apart from the disposal of Wuxi Zhong Cui Foods Company Ltd. reported in the preceding, there were no other changes to the Group's structure during the year.

FIXED ASSETS, INVESTMENT PROPERTIES, LEASEHOLD LAND AND LAND USE RIGHTS

Following the adoption of the new HKFRSs, investment properties, leasehold land and land use rights are now disclosed separately from fixed assets. Purchases and disposals of fixed assets during the year, amounting to HK$16.7 million and HK$13.0 million respectively, were mainly in relation to the woven garment and wool knitting divisions. Investment properties referred to the car parking spaces held by the Group in Kwun Tong. Capital expenditure during the year amounted to HK$0.4 million and there was a fair value gain of HK$4.3 million as at 31 March 2006 based on professional valuation. There were no purchases or disposals of leasehold land and land use rights during the year. Upon adoption of HKAS 17, the entire balance in the Group's land and buildings revaluation reserve in respect of leasehold land held by subsidiaries in Hong Kong and by an associated company in Malaysia was derecognised with a corresponding reduction in the carrying value of the relevant assets and the Group's attributable share of the net assets of the said associated company.

INVESTMENT PORTFOLIO

The Group's listed available-for-sale financial assets comprise wholly of equity investments listed in Hong Kong. Acquisitions during the year aggregated HK$5.7 million and there were no disposals. Their aggregate fair value as at 31 March 2006 was HK$567.0 million.

At 31 March 2006, the carrying value of the Group's unlisted available-for-sale financial assets and loans and receivables was HK$78.4 million. The Group's 18% interest in phase 2 of Shanghai East Ocean Centre, Shanghai continued to account for the principal part of the portfolio, and repayment of shareholder's loan by the investee company amounted to HK$7.7 million during the year. There were no other movements during the year.

The Group's financial assets at fair value through profit or loss comprise listed equity securities, equity linked notes and managed funds. Their aggregate fair value as at 31 March 2006 amounted to HK$259.1 million. Realised and unrealised gains for the year under review aggregated HK$16.1 million.

FINANCIAL REVIEW

All the Group's financing and treasury operations are centrally managed and controlled at the corporate level.

As at 31 March 2006, the Group's cash and bank balances amounted to HK$159.1 million, and bank borrowings amounted to HK$157.8 million. All bank borrowings were short-term revolving loans, unsecured, denominated in Hong Kong dollars and carried interest on a floating rate basis. Computed as the ratio of total bank borrowings to shareholders' equity, which amounted to HK$1,410.8 million at 31 March 2006, the Group's gearing was 11.2% as at that date.

The Group's contingent liabilities as at 31 March 2006 amounted to HK$34.1 million, of which HK$32.9 million represented guarantees given in respect of banking facilities granted to associated companies and a jointly controlled entity. The balance of HK$1.2 million was in respect of bills discounted with recourse.

At 31 March 2006 the Group did not have any material capital commitments.

EMPLOYEES

As at 31 March 2006 the Group employed a total of about 3,600 employees, of which about 3,000 were employed in Mainland China and about 400 were employed in Macau. Remuneration level is normally reviewed annually. Retirement benefits are provided in accordance with local government requirements. Other benefits are awarded at the discretion of the Group. Staff training is provided as and when required.

OUTLOOK

The U.S. by far remains the Group's largest export market. With interest rate rising from 1% to 5.25% over the last 2 years and gasoline prices persistently staying at a high level, growth of the U.S. economy and consumer spending may be moderating. Competition on a global scale has continued to escalate, giving buyers the muscle to cut price deeper. Costs of the Group's production bases in the Pearl River Delta on the other hand are on the increase due to labour shortage, rise in electricity and fuel related costs, as well as the appreciation of the Renminbi. The year ahead will therefore remain difficult for the Group's textile and clothing business.

The Group's investment activities now account for more than 50% of the Group's assets as well as earnings. While the Group's investment policy is prudent, fluctuations in the investment markets are inevitable and are often volatile.

DIVIDENDS

An interim dividend of 6 cents per share was paid on 9 February 2006. The Directors have recommended a final dividend of 8 cents per share for the year ended 31 March 2006. Subject to the approval of the Annual General Meeting to be held on 24 August 2006, the final dividend will be payable on 6 September 2006 to all shareholders on register as at 24 August 2006.

CHOU Wen Hsien
Chairman

Hong Kong, 13 July 2006.