INTERIM DIVIDEND

The board of directors has declared to pay an interim dividend of 2.8 Hong Kong cents (2001: 6 Hong Kong cents) per share totalling HK$10,080,000 (2001: HK$21,600,000) to shareholders whose names appear on the Company's register of members on Tuesday, 17th September, 2002. The interim dividend is expected to be paid to shareholders on Thursday, 19th September, 2002.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed on Monday, 16th September, 2002 and Tuesday, 17th September, 2002, during which period no transfer of shares will be effected.

In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Abacus Share Registrars Limited at 5th Floor, Wing On Centre, 111 Connaught Road Central, Hong Kong for registration no later than 4:00 p.m. on Friday, 13th September, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

Operational review

For the six months ended 30th June, 2002, the Group recorded a turnover of HK$468.6 million (2001: HK$503.2 million). Profit attributable to shareholders was HK$20.2 million (2001: HK$47.7 million). Profit margin fell by 3.5% as compared with same period last year.

Knit tops continued to be the Group's key products, accounting for 60.6% (2001: 58.2%) of total turnover. Woven bottoms were second, accounting for 31.0% (2001: 23.6%) and the remaining balance of 8.4% (2001: 18.2%) of total turnover was attributable to sweater tops. In terms of individual turnover value, knit tops and sweater tops dropped by 3.0% and 56.8% respectively, whereas woven bottoms increased by 22.0%.

The Group's key production base remained in Indonesia with an output representing 66.8% of the total turnover. This was followed by factories in El Salvador with 18.7% and Lesotho with 8.7%. The balance was attributable to subcontractors located in Southeast Asia.

Triggered by the U.S. recession from March 2001, the Group's performance was greatly affected since the second half of year 2001. The September 11 terrorist attacks further accelerated the deterioration of the United States economy. During the period under review, the Group experienced intensive pressure to lower order prices from customers across the board. Despite this, the Group was able to maintain its gross profit margin for knit tops as compared to the previous period. As for woven bottoms, the factory in Lesotho, purchased in April 2001, has yet to reach its optimal production capacity and has been sustaining losses. This aside, the drop in gross profit for woven bottoms due to lower profit margin was mitigated by an increase in sales volume. With regard to sweater tops, both sales volume and profit margin fell significantly. Competition in the sweater manufacturing industry has never been so fierce that manufacturers have had to sacrifice their margin to compete for orders.

Selling expenses increased by 20.9% were largely due to increases in freight charges and overseas traveling expenses, whereas administrative expenses increased by 7.1% were owing to a general increase in salaries in overseas factories and a provision for long-term employee benefits attributed to the adoption of the new SSAP 34 "Employee benefits" effective 1st January, 2002.

Financial review

As at 30th June, 2002, bank balances and cash amounted to HK$51.0 million (31st December, 2001: HK$77.4 million). Inventories amounted to HK$204.9 million (31st December, 2001: HK$128.0 million), and bank loans comprising trust receipts and packing loans stood at HK$129.9 million (31st December, 2001: HK$62.4 million), a normal high to meet peak season delivery immediately after June each year. Raw material purchases are committed upon orders confirmed from customers. The Group's current ratio was 1.6 (31st December, 2001: 1.8) and the gearing ratio of bank loans and overdrafts to shareholders' funds was 37.1% (31st December, 2001: 19.6%). The Group's liquidity position remains strong to meet its ongoing cash requirements.

Foreign exchange exposure

As at 30th June, 2002, the exchange rates for Indonesian Rupiah and South African Rand to one US dollar were Rp8,730 (1st January, 2002 : Rp10,400) and South African Rand 10.3 (1st January, 2002: South African Rand 12) respectively. The Group has entered into foreign exchange forward contracts with large reputable financial institutions to reduce foreign currency exchange risk.

Salvadoran Colones, the local currency for El Salvador, has been pegged to the US dollar since 1st January, 2001 at 8.75 Colones to US$1, and the Group does not foresee any currency exposure in El Salvador.

Human resources and remuneration policies

The Group considers its employees as its most important asset and believes that their commitment is critical to its success. The Group aims to align its employees with its strategic goal through active internal communication.

As at 30th June, 2002, the Group employed a total of 8,595 (31st December, 2001: 8,532) full-time employees.

Hong Kong and China	267
Indonesia	5,288
El Salvador	1,196
Lesotho	1,844
Total	8,595

The employees were rewarded based on the market practice and performance. Benefits include medical and accidental insurance coverage as well as a provident fund scheme. The Group also granted share options as an incentive to senior management last year. The Group's share option scheme aims at strengthening the loyalty of its employees and attracting high caliber professionals to the Group.