

INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK3.0 cents (2002: nil) per share of the Company for the year ending 31 March 2003. The interim dividend will be payable on 14 February 2003 to shareholders whose names appear on the register of members of the Company on 8 January 2003, with a scrip alternative to offer the right to shareholders to elect to receive such interim dividend wholly or partly by allotment of new shares of the Company credited as fully paid in lieu of cash.

A circular containing details of the scrip dividend scheme together with an election form will be sent to the shareholders of the Company as soon as practicable. The scrip dividend scheme is subject to the following conditions: (a) the issue price of a new share of the Company to be issued pursuant thereto being not less than the nominal value of a share of the Company; and (b) the granting by the Listing Committee of the Stock Exchange of Hong Kong Limited of the listing of and permission to deal in the new shares of the Company to be issued pursuant thereto.

BUSINESS REVIEW AND PROSPECTS

Despite the prevailing weakness in global economic conditions, the Group recorded satisfactory growth for the six months ended 30 September 2002. Turnover rose substantially by 41.9% to HK\$583 million and net profit for the period was HK\$44.8 million which exhibited a 175% growth as compared with the corresponding period last year. Basic earnings per share increased from 5.2 cents to 12.5 cents for the period under review.

The Group continued to build on the gains made during the past two years to record further improvement in turnover and profits. The significant growth was primarily attributable to the strengthening of the Group's core business of fabric sales and the strong sales growth in garment trading business. Tightened cost control, enhanced productivity and reduced finance expenses contributed to the profit growth. In addition, the implementation of the coal-fired facility since December 2001 showed significant reduction in fuel costs. Gross profit margin for the core business, production and sale of knitted fabric, increased to approximately 23.4% (31 March 2002: 20.3%). It is envisaged that these positive factors will continue to enhance the Group's profitability.

The garment trading business achieved remarkable performance in the first half of the financial year. Turnover of this division surged to HK\$230 million, representing a growth of 91.3% as compared with that in the previous year. The dedicated effort of the sale teams to develop new customers contributed to the substantial turnover growth whereas direct sales to the United States and Canadian buyers under landed-duty-paid programmes led to increase in profit margins. The Directors believe that the growth momentum can be sustained in the second half of the financial year.

As the Group is focusing all its resources in the fabric-related business, the Directors decided to abort the proposed acquisition of 25% interest in Zhangjijie Tsinghua Science Park Green Pharmaceutical Co., Ltd. in September 2002. Since the consideration has not been paid, impact to the Group is considered minimal.

The Group's strategic approach over the previous years once again created encouraging growth through increased turnover and profits. Looking forward, the Group will continue to pursue further development of the core business while diversifying product range and geographical sales base.