

BUSINESS REVIEW AND PROSPECT

For the six months ended 30 September 2003, the unaudited turnover of the Group was HK\$336,269,000, increased by 8.5% from the corresponding period of last year while operating profit increased by 5.7% to HK\$40,331,000. Due to increase in tax expenses (see notes 1 and 5) and minority interests, profit attributable to shareholders reduced by 9.6% from last year to HK\$19,286,000.

Garment

During the period, turnover for garment increased by 12% from last year. Distribution business in South Africa, North America and Europe remained strong while production business was not satisfactory, especially in Guatemala factory where production orders reduced significantly. As a result of lesser production order in Guatemala, lower buying agency commission and thinner trading margin resulted from fierce price competition, operating profit reduced from same period in last year.

For the second half year, distribution business in South Africa and Europe will continue to contribute satisfactory profit. Production orders in Guatemala and China factory started to recover in the final quarter of the year. Overall performance of garment division is expected to be close to last year.

Restaurant and food

From April to June, restaurant turnover reduced significantly due to the impact of Severe Acute Respiratory Syndrome ("SARS"). After SARS, however, strong rebound in restaurant sales was achieved. Together with good growth recorded in food sales, overall turnover of restaurant and food division increased by 3% from same period of last year. In addition, operating profit increased satisfactorily by 21% due to growth in sales and tight cost control by management. This is an outstanding performance achieved in a difficult period for the industry.

Prospect for the second half year will continue to be promising and the whole year result should generate satisfactory growth.

Property investment and development

Property turnover and operating profit both recorded 10% growth during the period. Growth mainly came from rental income of "Carrianna Friendship Square" and "Imperial Palace" shopping arcade and residential units.

Rental income in the second half year will be affected by the renovation on the second floor of "Carrianna Friendship Square". After completion of the renovation, the new "Carrianna International Jewellery Centre" on the second floor of "Carrianna Friendship Square" will make positive contribution to rental income for the whole building.

Overall, the Board continues to be optimistic about the prospects of the Group.