

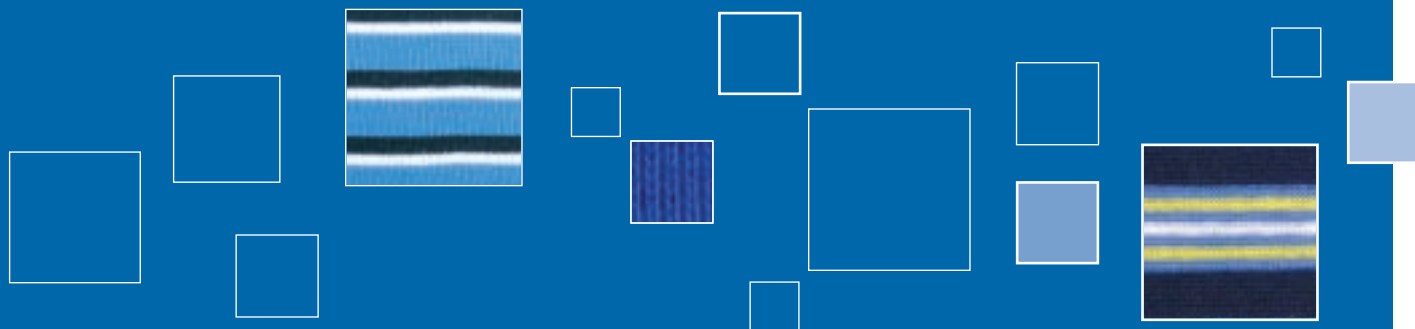
INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK4.5 cents (2003: HK3 cents) per share of the Company for the year ending 31 March 2004. The interim dividend will be payable on 12 February 2004 to shareholders whose names appear on the register of members of the Company on 8 January 2004, 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 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

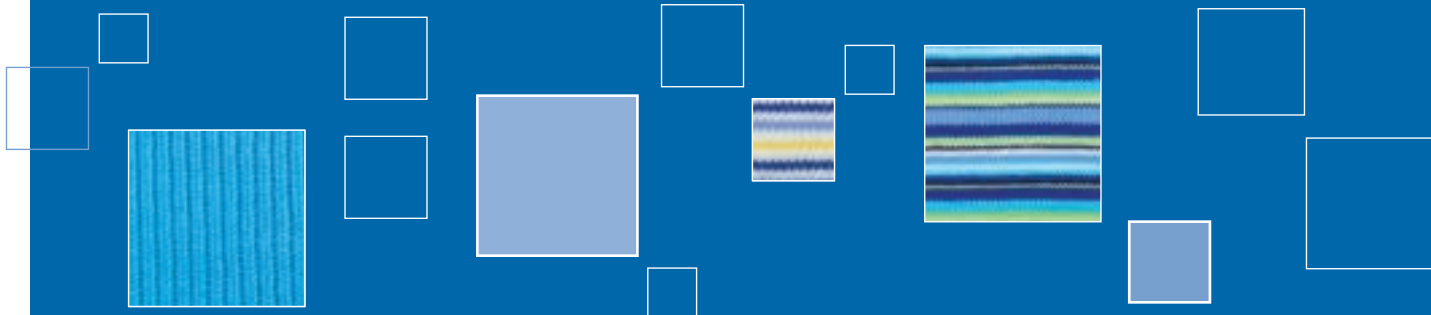
Despite the prevailing weakness in global economy and the outbreak of Severe Acute Respiratory Syndrome (the "SARS"), the Group was able to maintain the growth momentum in the first half of the financial year. The satisfactory growth in both turnover and net profit witnessed the success of the management and the employees' dedicated effort to bring value to the shareholders. The consolidated turnover of the Group for the six months ended 30 September 2003 was HK\$803 million, representing an increase of 38% on the level of HK\$583 million for the same period last year. Net profit for the period rose substantially by 63% to HK\$73 million. Basic earnings per share increased from 12.5 cents to 14.8 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 61% of the consolidated turnover. For the period under review, turnover of this segment achieved HK\$489 million, signifying an increase of 39% which was in line with the increase in production capability of the Xinhui factory. Besides, the improvements in production efficiency and product quality together with the sales department's effort in to developing new customers and exploiting new markets contributed to the turnover growth. On the other hand, the enhanced production capacity achieved economies of scale and higher utilisation of the coal-fired facility further reduced the production costs. Together with the management's stringent control of operating costs, the gross profit margin for this segment was improved to 25.1% (31 March 2003: 23.5%).

During the period under review, the Group has invested over HK\$150 million to develop a new yarn dyeing facility within the Xinhui factory premises. This new business segment commenced operation in late August 2003, with a monthly production capacity close to 4 million pounds. The new yarn dyeing facility in one way strengthens the Group's competitiveness to provide comprehensive and quality services to its customers and in another way expedites the manufacturing process of knitted fabric and also reduces subcontracting charges. It is anticipated that the yarn dyeing business will contribute to both turnover and profit growth from the second half onwards.

Once again, the garment trading business demonstrated its important role to the Group's results, accounted for 39% of the Group's turnover. Turnover of this sector increased by 37% to HK\$314 million as compared with that in the previous year. During the period, there were successful orders from new customers in England, Ireland, Japan, Canada and the United States of America ("USA") despite the impact of the SARS. In addition, more and more buyers in USA and Canada enjoyed the value-added comprehensive services provided by the landed-duty-paid programmes which improved the turnover as well as the profit margins. Gross profit margin was slightly increased to 14% for the period under review (31 March 2003: 13.7%). It is expected that growing trend of this segment will be well-maintained in the second half of the financial year.



In June 2003, a syndicated loan of HK\$288 million was raised in order to finance the investment in the yarn dyeing and piece dyeing business and the Group's second coal-fired facility. The syndicated loan was a 3 $\frac{1}{2}$ year facility bearing a competitive interest margin of HIBOR + 0.70% per annum. The Group's future expansion was well-planned with the loan in place.

The Directors remain cautiously optimistic towards the second half of the financial year as there are signs of improvement in the worldwide economy. The vertical set-up of the Group from yarn dyeing, knitted fabric manufacturing to garment sourcing and exporting laid down strong foundation for future business development. Looking forward, the Group will remain to pursue its expansion plan of the three core business segments so as to bring higher return to the shareholders.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2003, the Group had total assets of HK\$1,468,786,000 (31 March 2003: HK\$1,043,507,000) which were financed by current liabilities of HK\$516,269,000 (31 March 2003: HK\$413,083,000), long term liabilities of HK\$276,664,000 (31 March 2003: HK\$44,831,000) and shareholders' equity of HK\$650,444,000 (31 March 2003: HK\$570,132,000). The current ratio was approximately 1.8 (31 March 2003: 1.6) and the gearing ratio, being the ratio of total borrowings (net of bank balances and cash) to shareholders' funds was 53.5% (31 March 2003: 21.0%). 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. Inasmuch 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.

