

## INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK5.5 cents (2004: HK4.5 cents) per share of the Company for the year ending 31 March 2005. The interim dividend will be payable in cash on 25 February 2005 to shareholders whose names appear on the register of members of the Company on 7 January 2005 with a scrip alternative 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

For the six months ended 30 September 2004, the Group's total turnover reached HK\$1.28 billion, representing an increase of 60% over the same period last year. Boosted by the strong turnover growth, net profit for the period rose substantially by 41% to HK\$103 million. Basic earnings per share increased from 14.8 cents to 18.4 cents for the period under review.

Production and sale of knitted fabric and dyed yarn remained as the principal operation of the Group and accounted for 71% of the consolidated turnover. For the period under review, turnover of this segment achieved HK\$910 million, signifying an increase of 86%. The upsurge was mainly contributed to the commencement of the yarn dyeing operation since late August 2003. Equipped with the most advanced machineries, the yarn dyeing facility increased its monthly production capacity from 4 million pounds to 5 million pounds in September 2004, which further enhanced the Group's competitiveness by providing comprehensive and quality services to our customers. It is expected that the yarn dyeing business will continue to contribute to both turnover and profit growth in the second half of the financial year.

Apart from the yarn dyeing operation, production and sale of knitted fabric continued to demonstrate strong growth during the period under review. Improvements in production efficiency and product quality together with the dedicated effort of the marketing teams in developing new customers and exploiting new markets contributed to the increase in both turnover and net profit. By investing in the up-to-date models of machineries, the monthly production capability of our Xinhui factory was doubled from 6 million pounds to 12 million pounds since October 2004. It is expected that the growth momentum in this business segment will be sustained and this is well-substantiated by the amount of orders on-hand.



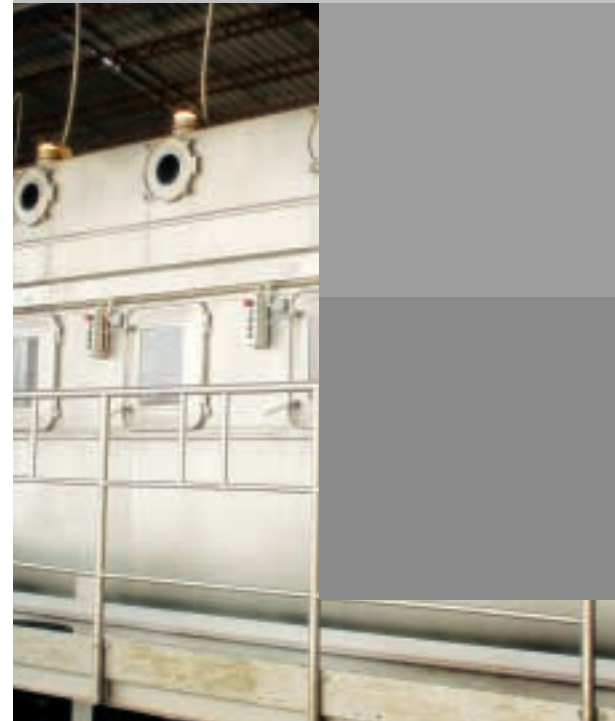
The shortage of power supply continues to affect manufacturing plants in mainland China. The Group is well-prepared for this issue and our second coal-fired facility within the Xinhui factory premises commenced operation since late August 2004. The new coal-fired facility, with more than double output comparing the existing one, not only stabilizes the power supply to our production plants but also help to further reduce the fuel costs.

The garment trading business continued to contribute to both turnover and profit growth of the Group. Turnover of this segment which accounted for 29% of the total turnover, achieved a 19% growth to HK\$374 million. Price competition was keen which resulted in a slight drop in profit margin during the period under review. The abolishment of garment quotas amongst the World Trade Organization members since January 2005 will undoubtedly bring changes to the whole garment and textile industry. Our garment trading arm is well-prepared to encounter new challenges and to capture new business opportunities ahead.

In order to enhance the competitive advantage of the Group and to provide comprehensive services to our valuable customers, the Group has decided to engage in a 5-year business expansion plan involving forward and backward business integration as well as further strengthening of existing core businesses. To play a pro-active and competitive role in the textile and garment supply chain as well as to capture the opportunities arose from worldwide quota elimination, the Group has decided to forward integrate into garment manufacturing sector. Production facilities would be established in China and other selected offshore countries. This new business segment is already furnished with a management team of strong and solid experience in garment manufacturing, merchandising, marketing as well as logistic services. The Directors have great confidence that the garment manufacturing business will play a significant role in our corporate development in the coming years.

Within our 5-year expansion plan, the Group will also set up a yarn spinning factory in order to stabilize the supply of quality raw yarn so as to produce high value-added products to our customers.

Prior to the announcement of the interim results, the Group has successfully secured a syndicated loan from 27 banks of HK\$688 million with a tenor of 4½ year, bearing a competitive interest margin of HIBOR + 0.55% per annum. The proceeds of the loan facility will be used to refinance the syndicated loan of HK\$288 million raised in June 2003 so as to reduce the finance costs and the balance for general corporate purposes. The Group's future expansion is timely-planned with the loan in place.



The Directors remain cautiously optimistic towards the second half of the financial year as our business developments are on the right track. The vertical set-up of the Group from yarn spinning and dyeing, knitted fabric manufacturing to garment manufacturing and exporting laid down strong foundation for future business growth. Looking forward, geared on our corporate vision of being a premier supplier of choice for textile and garment products, the Group will continue to dedicate all our efforts and commitments so as to bring higher return to our shareholders.

## FINANCIAL REVIEW

### Liquidity and Financial Resources

As at 30 September 2004, the Group had total assets of HK\$2,178,243,000 (31 March 2004: HK\$1,968,941,000) which were financed by current liabilities of HK\$924,970,000 (31 March 2004: HK\$783,679,000), long term liabilities of HK\$245,645,000 (31 March 2004: HK\$264,215,000) and shareholders' equity of HK\$974,799,000 (31 March 2004: HK\$896,669,000). The current ratio was approximately 1.5 (31 March 2004: 1.7) and the gearing ratio, being the ratio of total borrowings (net of bank balances and cash) to shareholders' funds was 64% (31 March 2004: 51%). 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 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.

### Capital Expenditure

During the period, the Group invested approximately HK\$191 million in property, plant and equipment, of which 82% was used for purchase of plant and machinery and 15% for acquisition of property and construction of new factory plant.

As at 30 September 2004, the Group had capital commitments of approximately HK\$47.5 million in respect of acquisition of new machinery and construction of new factory plant, which are financed by long-term bank borrowings.

### Charges on Assets

As at 30 September 2004, investment properties and certain property, equipment, plant and machinery of the Group with net book value of approximately HK\$32,637,000 million (31 March 2004: approximately HK\$33,663,000 million) were pledged to banks to secure banking facilities granted.

