

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.

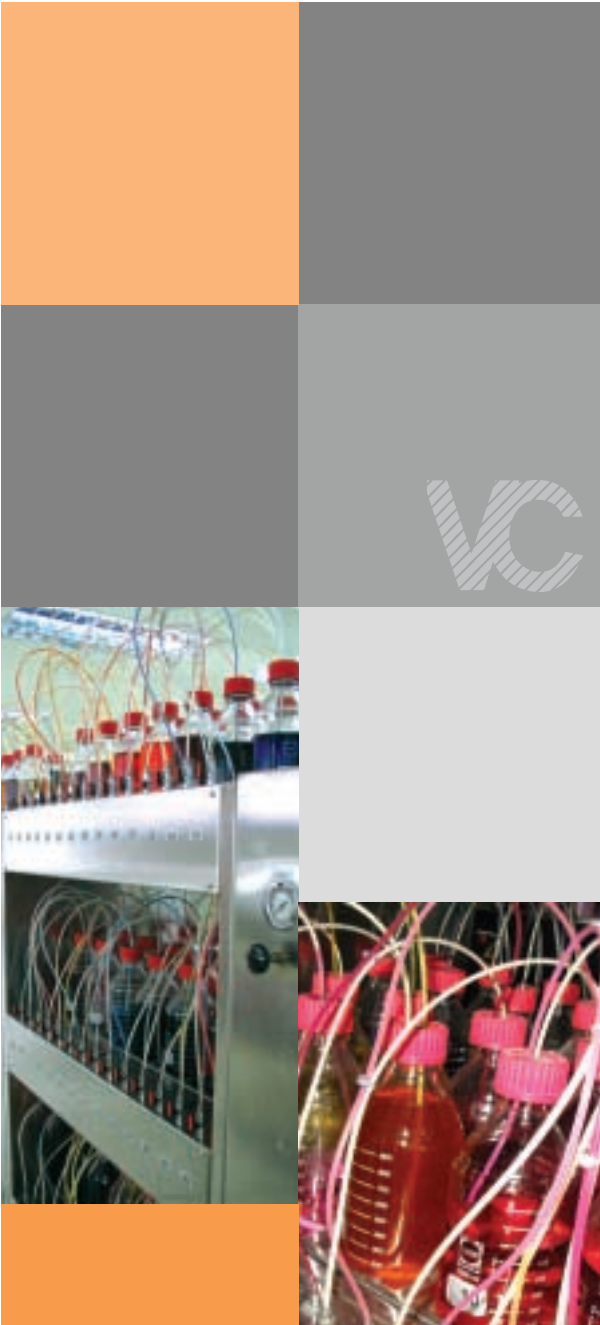
### Capital Expenditure

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.



### Contingent Liabilities

The Group's contingent liabilities as at 30 September 2004 were HK\$68,918,000 (31 March 2004: HK\$32,048,000) in relation to bills discounted with recourse and factoring financing facilities utilised with recourse.

### Employee Information

As at 30 September 2004, total number of employees of the Group were approximately 200 in Hong Kong, approximately 10 in USA and Canada and approximately 3,800 in the People's Republic of China. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed on an annual basis based on performance appraisals and other relevant factors. Bonuses are normally paid to management staff based on individuals' merits as well as the results of the Group. Other benefits to the staff include a provident fund scheme as well as medical insurance.

The Company maintains a share option scheme, pursuant to which share options are granted to selected eligible executives, with a view to providing senior management with an appropriate incentive interest in the growth of the Group.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 3 January 2005 to 7 January 2005 both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all share transfers accompanied by the relevant share certificates must be lodged with Company's branch share registrars in Hong Kong, Secretaries Limited of Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 31 December 2004.

