INTERIM DIVIDEND

The Directors have resolved to declare an interim dividend of HK6.5 cents (2005: HK5.5 cents) per share of the Company for the year ending 31 March 2006. The interim dividend will be payable on or about 23 February 2006 to shareholders whose names appear on the register of members of the Company on 6 January 2006 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

Surrounded by unfavourable factors including the increase in fuel and finance costs, trade disputes between China and the United States and European countries and pressures on general expenses exerted by Renminbi appreciation, operating conditions were tough for the textile and garment industry in the first half of the financial year. Against such a backdrop, the Group managed to persevere and attained satisfactory results during the period. For the six months ended 30 September 2005, the Group's total turnover was HK$1.42 billion, representing an increase of 11% on the level of HK$1.28 billion for the same period last year. Net profit for the period rose by 19% to HK$122 million. Basic earnings per share increased from 18.5 cents to 21.6 cents for the period under review.

In line with our uninterrupted growth in both turnover and net profit for the past years, the Group continued to build on the foundations made during the previous 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 production and sales of knitted fabric and dyed yarn to both worldwide and domestic China markets, and the strong sales growth in garment trading business. Tightened cost control, enhanced productivity, selection of niche markets, and improved quality and efficiency contributed to the profit growth. Gross profit margin for the Group increased from 17.9% to 19.5% whereas net profit margin increased from 8.0% to 8.6%. It is envisaged that the growth momentum will be sustained in the second half of the financial year.

The garment trading business also achieved satisfactory performance during the period under review. Turnover of this segment which accounted for 34% of the total turnover, achieved a 28% growth to HK$479 million. Despite the trade disputes and uncertainties arising from the abolition of garment quotas in 2005, our garment trading arm has been well-prepared for these challenges and continued to diversify clientele base as well as product ranges. It is expected that this segment will contribute to both turnover and profit growth for the Group.

To play a pro-active role and to further enhance our competitiveness in the worldwide textile and garment supply chain, the Group has been setting up garment manufacturing facilities strategically in China and other selected offshore countries within this financial year. The Directors have great confidence that this new business segment will play a significant role in our corporate development in the coming years.

It is anticipated that the global trading environment will remain highly competitive. Raw materials and fuel costs are likely to maintain at high level; the upward trend in labour costs is expect to persist; and general operating costs will continue to rise. In view of all these challenges, the Group will maintain its vigilance to further tighten its cost control measures, to further enhance its production efficiency and effectiveness as well as to diversify into selected niche markets, all of which are keys to our continual success. Looking ahead, we will strive to sustain profitability, bearing in mind our commitment of bringing high returns to our shareholders.

There has been no important event affecting the Group which occurred since 30 September 2005.

FINANCIAL REVIEW

Liquidity and Financial Resources

As at 30 September 2005, the Group had total assets of HK$2,930,459,000 (31 March 2005: HK$2,583,256,000) which were financed by current liabilities of HK$983,172,000 (31 March 2005: HK$780,945,000), long term liabilities of HK$699,625,000 (31 March 2005: HK$689,884,000) and shareholders' equity of HK$1,196,019,000 (31 March 2005: HK$1,074,857,000) The current ratio was approximately 1.7 (31 March 2005: 1.9) and the gearing ratio, being the ratio of total borrowings (net of bank balances and cash) to shareholders' funds was 77% (31 March 2005: 76%). 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.