



南聯實業有限公司

WINSOR INDUSTRIAL CORPORATION LTD.

Incorporated in Hong Kong with limited liability

Interim Report for the six months ended 30 September 2004

INTERIM RESULTS

The Directors are pleased to present the Group's consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended 30 September 2004 ("the Period"), and the consolidated balance sheet as at 30 September 2004, all of which are unaudited and condensed, along with selected explanatory notes (collectively "Interim Accounts").

Condensed Consolidated Profit and Loss Account

For the six months ended 30 September 2004

	Note	Unaudited	
		Six months ended 30 September	
		2004	2003
		HK\$'000	HK\$'000
Turnover	2	420,592	368,068
Cost of sales		<u>(308,772)</u>	<u>(278,307)</u>
Gross profit		111,820	89,761
Other revenues	2	4,717	2,478
Selling expenses		(22,905)	(21,694)
Administrative expenses		(51,773)	(48,860)
Other operating income less expenses		<u>53,930</u>	<u>15,741</u>
		95,789	37,426
Finance costs		<u>(571)</u>	<u>(1,634)</u>
Operating profit	2, 3	95,218	35,792
Share of profits less losses of			
Associated companies		10,053	7,178
Jointly controlled entities		<u>1,935</u>	<u>899</u>
Profit before taxation		107,206	43,869
Taxation	4	<u>(7,967)</u>	<u>(6,269)</u>
Profit after taxation		99,239	37,600
Minority interests		<u>200</u>	<u>(423)</u>
Profit attributable to shareholders		<u>99,439</u>	<u>37,177</u>
Dividends			
Prior year final dividend, paid, of HK\$0.08 (2003: HK\$0.08) per share	5(a)	20,775	20,775
Prior year special dividend, paid, of HK\$0.10 (2003: Nil) per share	5(a)	25,969	—
Interim dividend, declared, of HK\$0.06 (2003: HK\$0.05) per share	5(b)	<u>15,581</u>	<u>12,984</u>
		<u>62,325</u>	<u>33,759</u>
		HK\$	HK\$
Earnings per share	6	<u>0.38</u>	<u>0.14</u>

Condensed Consolidated Balance Sheet

As at 30 September 2004

		Unaudited	Audited
		30/9/2004	31/3/2004
	<i>Note</i>	HK\$'000	HK\$'000
Non-current assets			
Fixed assets		165,372	171,446
Associated companies		73,640	90,822
Jointly controlled entities		147,035	146,446
Investment securities	8	157,549	136,151
Deferred tax assets		<u>3,728</u>	<u>3,953</u>
		<u>547,324</u>	<u>548,818</u>
Current assets			
Inventories		96,119	102,397
Debtors and other receivables	9	140,587	129,067
Other investments	10	160,114	108,043
Cash and bank balances		<u>184,876</u>	<u>201,012</u>
		<u>581,696</u>	<u>540,519</u>
Current liabilities			
Creditors and accruals	11	112,025	90,435
Bank loans and overdrafts	12	76,080	115,879
Tax payable		<u>5,856</u>	<u>2,113</u>
		<u>193,961</u>	<u>208,427</u>
Net current assets		<u>387,735</u>	<u>332,092</u>
Total assets less current liabilities		<u>935,059</u>	<u>880,910</u>
Share capital			
		129,843	129,843
Reserves			
		362,672	367,981
Retained earnings			
		398,323	308,961
Proposed final and special dividends			
		—	46,744
Interim dividend declared			
		<u>15,581</u>	<u>—</u>
Shareholders' funds			
		906,419	853,529
Minority interests			
		2,636	2,836
Provision for long service payments			
		23,922	23,835
Deferred tax liabilities			
		<u>2,082</u>	<u>710</u>
Funds employed		<u>935,059</u>	<u>880,910</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2004

Unaudited	Share	Share	Capital	Land and	General	Capital	Exchange	Retained	Total
	capital	premium	redemption	buildings	reserve	reserve	fluctuation	earnings	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	129,843	306,211	775	22,267	11,624	26,878	226	355,705	853,529
Net gain not recognized in the profit and loss account – exchange difference arising from translation of accounts	—	—	—	—	—	—	195	—	195
Profit for the period	—	—	—	—	—	—	—	99,439	99,439
Transfer on disposal of land and buildings	—	—	—	(5,504)	—	—	—	5,504	—
Prior year final and special dividends paid	—	—	—	—	—	—	—	(46,744)	(46,744)
At 30 September 2004	<u>129,843</u>	<u>306,211</u>	<u>775</u>	<u>16,763</u>	<u>11,624</u>	<u>26,878</u>	<u>421</u>	<u>413,904</u>	<u>906,419</u>
At 1 April 2003	129,843	306,211	775	22,267	11,845	26,878	(634)	289,930	787,115
Net gain not recognized in the profit and loss account – exchange difference arising from translation of accounts	—	—	—	—	—	—	46	—	46
Profit for the period	—	—	—	—	—	—	—	37,177	37,177
Realized on disposal of subsidiaries	—	—	—	—	—	—	214	—	214
Prior year final dividend paid	—	—	—	—	—	—	—	(20,775)	(20,775)
At 30 September 2003	<u>129,843</u>	<u>306,211</u>	<u>775</u>	<u>22,267</u>	<u>11,845</u>	<u>26,878</u>	<u>(374)</u>	<u>306,332</u>	<u>803,777</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2004

	Unaudited	
	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Net cash inflow from operating activities	14,345	51,874
Net cash inflow from investing activities	55,056	10,588
Net cash outflow from financing	<u>(36,044)</u>	<u>(51,150)</u>
Net increase in cash and cash equivalents	33,357	11,312
Cash and cash equivalents at 1 April	105,133	79,995
Effect of foreign exchange rate changes	<u>1,006</u>	<u>2,196</u>
Cash and cash equivalents at 30 September	<u>139,496</u>	<u>93,503</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	184,876	189,156
Bank overdrafts and loans repayable within 3 months from the date of advance	<u>(45,380)</u>	<u>(95,653)</u>
	<u>139,496</u>	<u>93,503</u>

Notes to the Interim Accounts

1. Basis of preparation and accounting policies

The Interim Accounts are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The Interim Accounts should be read in conjunction with the annual audited accounts for the year ended 31 March 2004.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual audited accounts for the year ended 31 March 2004.

2. Turnover, revenue and segment information

The Group is principally engaged in the manufacturing and trading of textiles and clothing and investment holding. Revenues recognized during the Period are as follows:

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Turnover		
Textiles and clothing	397,732	347,274
Dividend income from		
Listed investments	21,373	10,865
Unlisted investments	148	168
Others	1,339	9,761
	<u>420,592</u>	<u>368,068</u>
Other revenues		
Rental income from other properties less outgoings	1,637	1,206
Interest income	3,080	1,272
	<u>4,717</u>	<u>2,478</u>
Total revenues	<u>425,309</u>	<u>370,546</u>

The Group’s main business segments and geographical areas of operations are set out below:

- Textiles and clothing — manufacturing and trading of textiles and clothing in Hong Kong, North America, Europe, Asia and other countries.
- Investments — holding of unlisted investments in associated companies, jointly controlled entities and investment securities covering a variety of businesses mainly in Hong Kong and Mainland China, and holding of equity linked notes, debt securities and listed equity securities in Hong Kong and overseas.

Other operations of the Group comprise installation of television broadcasting systems and other minor operations, none of which is of a sufficient scale of operation to be reported separately.

There are no material sales or other transactions between the business segments and geographical segments.

Notes to the Interim Accounts

2. Turnover, revenue and segment information (continued)

An analysis of turnover and profit by business and geographical segments is as follows:

Business segments

	Six months ended 30 September							
	Textiles and clothing		Investments		Others		Group	
	2004	2003	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	397,732	347,274	21,521	11,033	1,339	9,761	420,592	368,068
Segment results	25,759	15,768	23,387	18,172	(1,196)	1,409	47,950	35,349
Unallocated income less expenses							(1,999)	(1,898)
Gain on disposal of land and buildings	—	—	—	—	46,758	—	46,758	—
Gain on disposal of subsidiaries							—	2,703
Operating profit before interest							92,709	36,154
Interest income less finance costs							2,509	(362)
Operating profit							95,218	35,792
Share of profits less losses of								
Associated companies	(784)	(2,485)	10,837	9,663	—	—	10,053	7,178
Jointly controlled entities	(944)	(42)	2,879	941	—	—	1,935	899
Profit before taxation							107,206	43,869
Taxation							(7,967)	(6,269)
Profit after taxation							99,239	37,600
Minority interests							200	(423)
Profit attributable to shareholders							99,439	37,177

Geographical segments

	Six months ended 30 September			
	Turnover		Operating profit	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	85,413	72,535	20,078	5,828
North America	242,129	203,889	20,922	22,174
U.S.A.	239,258	197,050	20,486	21,276
Canada	2,871	6,839	436	898
Europe	67,888	65,770	5,169	6,481
Asia	22,092	21,724	1,664	551
Other countries	3,070	4,150	117	315
Segment results	420,592	368,068	47,950	35,349
Unallocated income less expenses			(1,999)	(1,898)
Gain on disposal of land and buildings			46,758	—
Gain on disposal of subsidiaries			—	2,703
Operating profit before interest			92,709	36,154
Interest income less finance costs			2,509	(362)
Operating profit			95,218	35,792

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Crediting:		
Gain on disposal of land and buildings	46,758	—
Gain on disposal of other fixed assets	132	489
Gain on disposal of subsidiaries	—	2,703
Write back of provision for investment securities	—	44
Realized gain on disposal of other investments	1,555	2,826
Unrealized gain on other investments	—	4,833
Exchange gain	<u>1,367</u>	<u>2,863</u>
Charging:		
Cost of inventories sold	308,772	278,307
Depreciation of fixed assets	8,374	8,957
Unrealized loss on other investments	496	—
Staff costs	74,866	67,227
Operating leases rental in respect of land and buildings	1,049	956
Auditors' remuneration	<u>766</u>	<u>899</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) on the estimated assessable profits for the Period. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries, associated companies and jointly controlled entities operate.

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
The amount of taxation charged to the consolidated profit and loss account represents:		
Current taxation:		
Hong Kong profits tax	4,032	3,635
Overseas taxation	189	447
Over provisions in prior years	(211)	—
Deferred taxation	<u>1,597</u>	<u>180</u>
	<u>5,607</u>	<u>4,262</u>
Share of taxation attributable to:		
Associated companies	1,699	1,797
Jointly controlled entities	<u>661</u>	<u>210</u>
	<u>2,360</u>	<u>2,007</u>
Taxation charges	<u>7,967</u>	<u>6,269</u>

Notes to the Interim Accounts

5. Dividends

- (a) At a meeting held on 15 July 2004, the Directors of the Company recommended a final dividend of HK\$0.08 per share and a special dividend of HK\$0.10 per share for the year ended 31 March 2004, which were paid on 8 September 2004 and have been reflected as an appropriation of retained earnings in the Period.
- (b) At a meeting held on 16 December 2004, the Directors of the Company declared an interim dividend of HK\$0.06 per share for the year ending 31 March 2005. This dividend declared is not reflected as a dividend payable in the Period, but will be reflected as an appropriation of retained earnings in the six months ending 31 March 2005.

6. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$99,439,000 (2003: HK\$37,177,000) and 259,685,289 (2003: 259,685,289) shares in issue during the Period.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 30 September 2004 (2003: Nil).

7. Related party and connected transactions

- (a) The following is a summary of significant related party transactions which, in the opinion of the Directors of the Company, were carried out in the ordinary and usual course of the Group's business on terms no less favourable to the Group than terms available to or from independent third parties:

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
Rental and storage expenses paid to the Winsor Properties Holdings Limited ("WPHL") Group	960	1,089
Rental income charged to WPHL Group	338	570
Sharing of administrative services with the WPHL Group	72	288
Sharing of administrative services with the associated companies and jointly controlled entities	446	528
Purchases from jointly controlled entities	1,806	—
Sales to associated companies and jointly controlled entities	1,092	1,465
Contracting fee paid to jointly controlled entities	576	942

The Group and the WPHL Group are considered to be related by virtue of the fact that certain Directors of the Company are also directors of WPHL.

- (b) PCD Broadcast Engineering Limited ("PCD") is owned as to 60% by the Group and 40% by a minority shareholder. Trade financing facilities to the extent of HK\$16,200,000 granted under normal commercial terms by a bank to PCD were secured by a joint and several guarantee issued by the Company and the minority shareholder. The minority shareholder and all its directors have jointly and severally provided a deed of indemnity to indemnify the Company to the extent of 40% of the guaranteed liability of PCD. The issue of the said guarantee by the Company constituted a Connected Transaction as defined under Chapter 14A of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. The trade financing facilities lapsed on 14 September 2004 and the joint and several guarantee was cancelled as a result thereof.

8. Investment securities

	30/9/2004 HK\$'000	31/3/2004 HK\$'000
Unlisted equity investments – at cost	4,834	5,025
Loans due from unlisted equity investments	123,479	155,213
Provision	<u>(35,116)</u>	<u>(60,284)</u>
	<u>93,197</u>	<u>99,954</u>
Equity investments listed in Hong Kong – at cost	66,880	38,725
Provision	<u>(2,528)</u>	<u>(2,528)</u>
	<u>64,352</u>	<u>36,197</u>
	<u>157,549</u>	<u>136,151</u>
Market value of listed equity investments	<u>505,935</u>	<u>465,391</u>

The loans due from unlisted equity investments are unsecured, interest free and have no fixed terms of repayment.

9. Debtors and other receivables

Trade debtors are included under debtors and other receivables. The majority of the Group's sales are on terms of letters of credit at sight or documents against payment. Open accounts or longer credit terms are granted to a few customers with long business relationship and strong financial position. The ageing analysis of trade debtors is as follows:

	30/9/2004 HK\$'000	31/3/2004 HK\$'000
Current – 30 days	66,376	56,389
31 – 60 days	17,683	17,089
Over 60 days	<u>10,390</u>	<u>9,778</u>
	<u>94,449</u>	<u>83,256</u>

10. Other investments

	30/9/2004 HK\$'000	31/3/2004 HK\$'000
Equity securities:		
Listed in Hong Kong	11,309	12,543
Listed outside Hong Kong	9,560	25,356
Debt securities — quoted outside Hong Kong	41,617	41,830
Equity linked notes	71,760	11,694
Managed funds	<u>25,868</u>	<u>16,620</u>
Market value	<u>160,114</u>	<u>108,043</u>

Notes to the Interim Accounts

11. Creditors and accruals

Trade creditors are included in creditors and accruals. The ageing analysis of trade creditors is as follows:

	30/9/2004	31/3/2004
	HK\$'000	HK\$'000
Current – 30 days	34,444	26,530
31 – 60 days	3,870	1,975
Over 60 days	<u>6,759</u>	<u>1,957</u>
	<u>45,073</u>	<u>30,462</u>

12. Bank loans and overdrafts

	30/9/2004	31/3/2004
	HK\$'000	HK\$'000
Unsecured, repayable on demand or within one year	<u>76,080</u>	<u>115,879</u>

13. Capital commitments

The Group did not have material capital commitments at 30 September 2004 (31/3/2004: Nil).

14. Lease commitments

	30/9/2004	31/3/2004
	HK\$'000	HK\$'000
The future aggregate minimum lease payments under non-cancelable operating leases for land and buildings are payable as follows:		
Not later than one year	937	1,464
Later than one year and not later than five years	<u>80</u>	<u>146</u>
	<u>1,017</u>	<u>1,610</u>

15. Contingent liabilities

	30/9/2004	31/3/2004
	HK\$'000	HK\$'000
Bills discounted with recourse	5,021	2,075
Guarantees given in respect of banking facilities granted to:		
Associated companies and a jointly controlled entity	33,850	33,850
Unlisted investee companies, in proportion to the Group's equity interests in such companies	<u>14,038</u>	<u>14,038</u>
	<u>52,909</u>	<u>49,963</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

On top of improved results of the Group's textile and clothing businesses and investment earnings, the Group's overall results for the Period have also benefited from the gain of HK\$46.8 million on the disposal of the Winner Building in Tokwawan in June 2004. The Group's unaudited profit attributable to shareholders for the Period was therefore HK\$99.4 million, an increase of 167.5% compared to the profit of HK\$37.2 million for the corresponding six months in 2003.

Turnover of the Group's textiles and clothing segment for the Period was HK\$397.7 million, an increase of 14.5% compared to HK\$347.3 million recorded for the comparable six months in 2003. This segment's operating profit before interest for the Period was HK\$25.8 million, an increase of 63.4% over HK\$15.8 million on a year-on-year basis. The improvement, however, was in comparison to the low performance in 2003 which was suppressed by the SARS outbreak. The business environment for this segment has remained tough, and keen price competition has continued to prevail during the Period.

In terms of individual divisions, the improvement was across the board. In terms of markets, the Group's local sales and exports to North America reported stronger recoveries than the other markets.

During the Period, lower trading profit was reported by the Group's investment segment but dividend income was boosted by a special one-off dividend received from an investee company. The operating profit before interest of this segment for the Period was therefore HK\$23.4 million, compared to HK\$18.2 million for the corresponding six months in 2003.

Other minor activities carried on by the Group were grouped under the segment of *Others* and reported a small loss on a lower turnover during the Period.

The Group's finance costs for the Period were lower on account of reduced bank borrowings and the continuing low interest rate environment in Hong Kong. Interest income from bank deposits and fixed income investments on the other hand reported an increase.

Fixed Assets

Apart from the gain of HK\$46.8 million recognised in the profit and loss account for the Period, revaluation reserve in the sum of HK\$5.5 million realized on the disposal of the Winner Building in Tokwawan has also been transferred directly from land and buildings revaluation reserve to retained earnings. Acquisition of fixed assets during the Period amounted to HK\$9.1 million, incurred mainly by the woven garment division on plant and machinery.

Associated Companies and Jointly Controlled Entities

During the Period, those associated companies and jointly controlled entities engaged in textile and clothing businesses reduced their losses on a combined basis, whereas the combined profits of those engaged in other businesses have improved. Total combined contribution from all associated companies and jointly controlled entities was therefore HK\$12.0 million before tax, compared to HK\$8.1 million for the previous corresponding period.

Group Structure

There were no changes in the Group's structure during the Period.

Employees

As at 30 September 2004 the Group employed a total of about 4,200 employees, of which about 3,400 were employed in Mainland China. This represented an increase of 300 employees as compared to 31 March 2004. Remuneration level is normally reviewed annually. Retirement benefits are provided in accordance with local government requirements. Other benefits are awarded at the discretion of the Group. Staff training is provided as and when required.

Investment Portfolio

The Group's long-term listed investments are all listed in Hong Kong. New investments totaling HK\$28.2 million were made during the Period. At 30 September 2004, the aggregate net book value of the Group's long-term listed investments was HK\$64.4 million and their market value was HK\$505.9 million.

At 30 September 2004, the net book value of the Group's long-term unlisted investments was HK\$93.2 million. During the Period, the Group's investment in a hotel in Xian was disposed of at its net book value of HK\$4.7 million whereas repayment of advances by other investee companies aggregated HK\$2.1 million.

The Group's short-term listed investments are carried at market value and comprise mainly of equity linked notes, overseas debt securities and equity securities listed in Hong Kong and the United States. Their aggregate carrying value as at 30 September 2004 was HK\$160.1 million.

Financial Review

As at 30 September 2004, the Group's cash and bank balances amounted to HK\$184.9 million, and short-term bank borrowings were reduced to HK\$76.1 million. All the bank borrowings are unsecured loans on a floating rate basis and denominated in Hong Kong dollar. The Group's net current assets and shareholders' funds were HK\$387.7 million and HK\$906.4 million respectively as at 30 September 2004. The Group's gearing ratio as at that date, computed as the ratio of total bank borrowings to shareholders' funds, was 8.4%.

The Group's contingent liabilities as at 30 September 2004 amounted to HK\$52.9 million, of which HK\$47.9 million represent guarantees provided in respect of banking facilities granted to associated companies, a jointly controlled entity and investee companies. The balance of HK\$5.0 million was in respect of trade bills discounted with recourse.

As at 30 September 2004 the Group did not have any material capital commitments.

Outlook

With the abolition of international quotas just a fortnight away, uncertainties overhanging international trade in textiles and clothing have not been lifted. Some buyers are making the abolition a ground for slashing price further while some suppliers have boosted their shipments so as to establish a higher base for any expected future restriction. Safeguard petitions have already been filed by a coalition of US apparel, textile and fibre producing trade associations and a labour union targeting to restrict Chinese imports on the ground of market disruption. Business during the transition will not only be difficult, but it will also be risky to confine the Group's production bases in just one territory.

Growth forecast for the US economy has been raised following a drop in oil prices from its record peak in late October 2004. The weak US dollar may benefit the Group's exports to the European and Japanese markets to some extent but will be working in the opposite direction where costs are concerned. Against the backdrop of a strong upturn in the Hong Kong economy and rampaging price competition both locally and regionally, cost management continues to be the key to survival.

DIVIDEND AND CLOSE OF REGISTER

The Directors have resolved to declare for the year ending 31 March 2005 an interim dividend of 6 cents per share. Total distribution will amount to HK\$15,581,000.

The interim dividend will be payable on 3 February 2005 to all shareholders on register as at 26 January 2005. The Register of Members and the Transfer Books will be closed from 24 January to 26 January 2005, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 21 January 2005.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the Interim Accounts.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

SHARE OPTIONS

The Company adopted a 10 year share option scheme ("the Scheme") at the annual general meeting held on 15 August 2001 for the purpose of providing incentives to full-time employees. No option has been granted by the Company under the Scheme since its adoption.

On 1 September 2001 the Stock Exchange amended Chapter 17 of the Listing Rules. As a result, granting of share options by the Company under the Scheme will not be permitted unless it is in compliance with the Listing Rules and may entail an amendment of the terms of the Scheme or the adoption of a new scheme. The Directors do not have a present plan for the granting of share options and will seek shareholders' approval of a new scheme when the need arises.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors at 30 September 2004 in the issued share capital of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register kept under section 352 of the SFO are set out below :-

Name of Director	Nature of interests and capacity in which interests are held			Percentage of issued share capital
	Interests held as beneficial owner	Interests held by controlled corporation <i>(Note)</i>	Total number of shares held	
The Company				
<i>Ordinary shares:</i>				
Mr. Chou Wen Hsien	—	192,615,464	192,615,464	74.17%
Mr. Chow Chung Kai	—	192,615,464	192,615,464	74.17%
Super-Rich Finance Limited				
<i>Ordinary shares:</i>				
Mr. Chou Wen Hsien	462,759	—	462,759	33.33%
Mr. Chow Chung Kai	472,064	—	472,064	34.00%
Mr. Chow Wai Wai, John	165,987	—	165,987	11.96%
Mr. Chow Ming Shan	137,078	—	137,078	9.87%
Mr. Tang Hung Yuan	100,381	—	100,381	7.23%
Mr. Tang Ming Chien, Manning	2,000	—	2,000	0.14%
Mr. Lam Woon Bun	600	—	600	0.04%
Winsor Health Investment Limited				
<i>Ordinary shares:</i>				
Mr. Chou Wen Hsien	—	300	300	30.00%
Mr. Chow Chung Kai	—	300	300	30.00%
Winsor Health Products Limited				
<i>Ordinary shares:</i>				
Mr. Chou Wen Hsien	—	15,000	15,000	30.00%
Mr. Chow Chung Kai	—	15,000	15,000	30.00%
<i>10% Redeemable preference shares:</i>				
Mr. Chou Wen Hsien	—	3,000	3,000	30.00%
Mr. Chow Chung Kai	—	3,000	3,000	30.00%
Winsor Health Products (International) Limited				
<i>Ordinary shares:</i>				
Mr. Chou Wen Hsien	—	3,000	3,000	30.00%
Mr. Chow Chung Kai	—	3,000	3,000	30.00%

Note:

The interests in the shares in the Company are beneficially owned by Super-Rich Finance Limited where Mr. Chou Wen Hsien and Mr. Chow Chung Kai are entitled to exercise 33.33% and 34.00% respectively of the voting power at its general meetings. The interests in the shares in Winsor Health Investment Limited, Winsor Health Products Limited and Winsor Health Products (International) Limited are beneficially owned by corporations where Mr. Chou Wen Hsien and Mr. Chow Chung Kai are each entitled to exercise 50% of the voting power at their general meetings. Under Part XV of the SFO, Mr. Chou Wen Hsien and Mr. Chow Chung Kai are each deemed to be interested in the said shares in the Company and its associated corporations.

Save as disclosed herein, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations at 30 September 2004.

SUBSTANTIAL SHAREHOLDERS

Apart from the interests of the Directors in the issued share capital of the Company as disclosed in the section “Directors’ interests in shares”, the register kept under section 336 of the SFO shows that at 30 September 2004 the Company has been notified of the following interests in the issued share capital of the Company:

Name of substantial shareholder	Number of ordinary shares held	Percentage of issued share capital
Mrs. Chou Yim Wan Chun, Ina	192,615,464	74.17%
Mrs. Chow Yu Yue Chen	192,615,464	74.17%
Super-Rich Finance Limited	192,615,464	74.17%
Liu Chong Hing Bank Limited	192,621,235	74.17%

Note :

Super-Rich Finance Limited is the beneficial owner of 192,615,464 Shares (the “said Shares”) in the Company which approximately represents 74.17% of the issued share capital of the Company. Mr. Chou Wen Hsien (and Mrs. Chou Yim Wan Chun, Ina, his spouse) and Mr. Chow Chung Kai (and Mrs. Chow Yu Yue Chen, his spouse) are deemed to be interested in the said Shares by reason that each of Mr. Chou Wen Hsien and Mr. Chow Chung Kai controls one-third or more of the voting power at general meetings of Super-Rich Finance Limited. Liu Chong Hing Bank Limited is deemed to be interested in the said Shares as custodian appointed by Super-Rich Finance Limited.

Save as disclosed herein, as at 30 September 2004 the Company had not been notified by any person of any interests or short positions in the shares or underlying shares of the Company which are notifiable to the Company under Divisions 2 and 3 of Part XV of the SFO.

FINANCIAL ASSISTANCE AND GUARANTEES PROVIDED TO AN ENTITY AND AFFILIATED COMPANIES

Relevant advances to an entity

In accordance with rule 13.20 of the Listing Rules, details of relevant advance made by the Group to an entity which exceeded 8% of the Company's market capitalization as at 30 September 2004 of approximately HK\$707,642,000 ("Market Capitalization") based on the total number of 259,685,289 shares of the Company in issue on 30 September 2004 and the average closing price of HK\$2.725 per share for the five business days immediately preceding 30 September 2004 are as follows:

As at 30 September 2004, shareholder's loan made by the Group to Goodwill (Overseas) Ltd., in which the Group has an 18% equity interest, amounted to HK\$100,548,000. The loan is unsecured, interest free and has no fixed terms of repayment. No guarantee has been provided by the Group for the benefit of Goodwill (Overseas) Ltd. A repayment of HK\$1,400,000 has been made by Goodwill (Overseas) Ltd. since 30 September 2004.

Pro forma combined balance sheet of affiliated companies

Loans advanced to, and guarantees provided by the Group for the benefit of the Group's affiliated companies (as such term is defined in Chapter 13 of the Listing Rules) as at 30 September 2004 in aggregate exceeded 8% of the Company's Market Capitalization as at 30 September 2004. In accordance with rule 13.22 of the Listing Rules, a pro forma combined balance sheet of the Group's affiliated companies as at 30 September 2004 and the Group's attributable interest therein are set out below:

	Pro forma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Fixed assets	97,635	43,680
Associated companies	5,857	2,928
Investment securities	22,982	11,491
Current assets	224,215	132,900
Current liabilities	(133,489)	(64,395)
Long term liabilities	(6,879)	(2,145)
Amounts and loans due to shareholders	<u>(177,034)</u>	<u>(108,009)</u>
	<u>33,287</u>	<u>16,405</u>

On behalf of the Board
Chou Wen Hsien
Chairman

Hong Kong, 16 December 2004.