



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 2005

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 2005 ("the Period"), and the consolidated balance sheet as at 30 September 2005, all of which are unaudited and condensed, along with selected explanatory notes (collectively "Interim Accounts"). These unaudited Interim Accounts have been reviewed by the Company's Audit Committee.

Unaudited Condensed Consolidated Profit and Loss Account

For the six months ended 30 September 2005

	Note	Six months ended 30 September	
		2005 HK\$'000	2004 HK\$'000
Turnover	3	482,149	420,592
Cost of sales		<u>(364,396)</u>	<u>(308,772)</u>
Gross profit		117,753	111,820
Other revenues	3	9,503	4,717
Selling expenses		(27,959)	(22,905)
Administrative expenses		(55,251)	(51,773)
Other operating income less expenses		<u>2,038</u>	<u>53,930</u>
		46,084	95,789
Finance costs		<u>(2,703)</u>	<u>(571)</u>
Operating profit	3, 4	43,381	95,218
Share of profits less losses of			
Associated companies		12,169	8,354
Jointly controlled entities		<u>(6,373)</u>	<u>1,274</u>
Profit before taxation		49,177	104,846
Taxation	5	<u>(4,815)</u>	<u>(5,607)</u>
Profit for the period		<u>44,362</u>	<u>99,239</u>
Attributable to:			
Equity holders of the Company		44,373	99,439
Minority interests		<u>(11)</u>	<u>(200)</u>
		<u>44,362</u>	<u>99,239</u>
Dividends			
Interim dividend, declared, of HK\$0.06 (2004: HK\$0.06) per share	6	<u>15,581</u>	<u>15,581</u>
		HK\$	HK\$
Earnings per share	7	<u>0.17</u>	<u>0.38</u>

Unaudited Condensed Consolidated Balance Sheet

As at 30 September 2005

	<i>Note</i>	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000 Restated
Non-current assets			
Fixed Assets		135,631	133,758
Investment properties		19,200	19,200
Leasehold land and land use rights		26,138	26,525
Associated companies		61,953	103,158
Jointly controlled entities		120,605	125,783
Available-for-sale financial assets		562,934	—
Investment securities		—	158,298
Deferred tax assets		5,697	5,943
		<u>932,158</u>	<u>572,665</u>
Current assets			
Inventories		104,117	107,603
Debtors and other receivables	9	183,329	152,967
Other investments	10	194,631	174,226
Cash and bank balances		141,712	178,679
		<u>623,789</u>	<u>613,475</u>
Current liabilities			
Creditors and accruals	11	115,468	88,466
Bank loans and overdrafts	12	95,551	152,822
Tax payable		5,725	2,449
		<u>216,744</u>	<u>243,737</u>
Net current assets		<u>407,045</u>	<u>369,738</u>
Total assets less current liabilities		<u>1,339,203</u>	<u>942,403</u>
Non-current liabilities			
Provision for long service payments		18,976	23,124
Deferred tax liabilities		5,567	5,662
		<u>24,543</u>	<u>28,786</u>
Net assets		<u>1,314,660</u>	<u>913,617</u>
Capital and reserves attributable to the equity holders of the Company			
Share capital		129,843	129,843
Other reserves		755,094	346,476
Retained earnings		412,231	383,439
Proposed final dividend		—	51,937
Interim dividend declared		15,581	—
		<u>1,312,749</u>	<u>911,695</u>
Minority interests		1,911	1,922
Total equity		<u>1,314,660</u>	<u>913,617</u>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2005

	Share capital	Share premium	Capital redemption reserve	Land and buildings revaluation reserve	Investment properties revaluation reserve	Investment revaluation reserve	General reserve	Capital reserve	Exchange fluctuation account	Retained earnings	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005,												
– as previously reported as equity	129,843	306,211	775	16,763	18,918	—	11,624	26,878	157	419,769	—	930,938
– as previously separately reported as minority interests	—	—	—	—	—	—	—	—	—	—	1,922	1,922
– adjustment on adoption of the new HKFRSs	—	—	—	(15,932)	(18,918)	—	—	—	—	15,607	—	(19,243)
At 1 April 2005, as restated	129,843	306,211	775	831	—	—	11,624	26,878	157	435,376	1,922	913,617
Opening adjustment for the adoption of HKAS 39	—	—	—	—	—	386,466	—	—	—	—	—	386,466
Net gain not recognized in the profit and loss account												
– exchange differences arising from translation of accounts	—	—	—	—	—	—	—	—	1,879	—	—	1,879
Arising from revaluation	—	—	—	—	—	20,273	—	—	—	—	—	20,273
Profit for the period	—	—	—	—	—	—	—	—	—	44,373	(11)	44,362
Prior year final and special dividends paid	—	—	—	—	—	—	—	—	—	(51,937)	—	(51,937)
At 30 September 2005	129,843	306,211	775	831	—	406,739	11,624	26,878	2,036	427,812	1,911	1,314,660

Unaudited Condensed Consolidated Statement of Changes in Equity (continued)

For the six months ended 30 September 2005

	Share capital	Share premium	Capital redemption reserve	Land and buildings revaluation reserve	Investment properties revaluation reserve	Investment revaluation reserve	General reserve	Capital reserve	Exchange fluctuation account	Retained earnings	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004,												
– as previously reported as equity	129,843	306,211	775	22,267	—	—	11,624	26,878	226	355,705	—	853,529
– as previously separately reported as minority interests	—	—	—	—	—	—	—	—	—	—	2,836	2,836
– adjustment on adoption of the new HKFRSs	—	—	—	(15,932)	—	—	—	—	—	—	—	(15,932)
At 1 April 2004, as restated	129,843	306,211	775	6,335	—	—	11,624	26,878	226	355,705	2,836	840,433
Net gain not recognized in the profit and loss account												
– exchange differences arising from translation of accounts	—	—	—	—	—	—	—	—	195	—	—	195
Profit for the period	—	—	—	—	—	—	—	—	—	99,439	(200)	99,239
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	129,843	306,211	775	831	—	—	11,624	26,878	421	413,904	2,636	893,123

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2005

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Net cash from operating activities	19,125	14,345
Net cash from investing activities	52,393	55,056
Net cash used in financing activities	<u>(87,637)</u>	<u>(36,044)</u>
Net (decrease)/increase in cash and cash equivalents	(16,119)	33,357
Cash and cash equivalents at 1 April	61,557	105,133
Effect of foreign exchange rate changes	<u>723</u>	<u>1,006</u>
Cash and cash equivalents at 30 September	<u>46,161</u>	<u>139,496</u>
 Analysis of the balances of cash and cash equivalents		
Cash and bank balances	141,712	184,876
Bank overdrafts and loans repayable within 3 months from the date of advance	<u>(95,551)</u>	<u>(45,380)</u>
	<u>46,161</u>	<u>139,496</u>

Notes to the Interim Accounts

1. Basis of preparation and accounting policies

These unaudited Interim Accounts have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and in compliance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

These Interim Accounts should be read in conjunction with the annual accounts for the year ended 31 March 2005, except that the Group has changed certain of its accounting policies following its adoption of the new/revised Hong Kong Financial Reporting Standards, HKASs and interpretations (“HKAS-Ints”) (collectively “the new HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2005.

2. Changes in accounting policies

The major changes to the Group’s accounting policies or presentation of accounts as a result of the adoption of the new HKFRSs are summarised as follows:

The adoption of HKAS 1 “Presentation of Financial Statements” has affected the presentation of minority interests and share of net after tax results of associated companies and jointly controlled entities.

The adoption of HKAS 17 “Leases” has resulted in a change in accounting policy relating to leasehold land which was previously carried as fixed assets at cost or valuation less accumulated depreciation and impairment. In accordance with the provisions of HKAS 17, leasehold land is regarded as an operating lease and the lease premium and other costs for acquiring the leasehold land are amortised over the term of the lease.

The adoption of HKAS 40 “Investment Property” has resulted in a change in accounting policy under which changes in fair values of investment properties are recorded in the profit and loss account. In prior years, attributable changes in valuation of investment properties were dealt with in the investment properties revaluation reserve.

The adoption of HKAS 32 “Financial Instruments: Disclosures and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement” has resulted in changes in accounting policies under which long term investments and loans to and receivables from investee companies are classified into available-for-sale financial assets, and derivative financial instruments are required to be carried at fair value. Long term investments are carried at fair value with changes in fair value recognised in the investment revaluation reserve. Loans and receivable are carried at amortised cost less any provision for impairment. Changes in the fair value of derivative financial instruments are recognised in the profit and loss account.

The adoption of HKAS-Int 21 “Income Taxes – Recovery of Revalued Non-Depreciable Assets” has resulted in a change in the accounting policy for deferred taxation arising from the revaluation of investment properties. Such deferred taxation is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use and is calculated at the profits tax rate. In prior years, the carrying amount of the asset was expected to be recovered through sale and no provision for deferred taxation on revaluation of investment properties in Hong Kong was made.

All changes in accounting policies have been made in accordance with the transitional provisions of the respective standards. All HKASs adopted by the Group require retrospective application, other than HKAS 39 which is applied prospectively.

2. Changes in accounting policies (continued)

The changes in accounting policies as mentioned above did not have any significant impact on the profit and loss account items and earnings per share for the six months ended 30 September 2004 and 30 September 2005 respectively. Their effects on the various balance sheet items and the component of total equity are summarised below:

	HKAS 17 HK\$'000	HKAS 32 and HKAS 39 HK\$'000	HKAS 40 HK\$'000	HKAS-Int 21 HK\$'000	Total HK\$'000
At 30 September 2005					
<u>Balance sheet items</u>					
Decrease in fixed assets	(26,138)	—	—	—	(26,138)
Increase in leasehold land and land use rights	26,138	—	—	—	26,138
Decrease in associated companies	(15,932)	—	—	—	(15,932)
Increase in available-for-sale financial assets	—	562,934	—	—	562,934
Decrease in investment securities	—	(156,195)	—	—	(156,195)
Increase in deferred tax liabilities	—	—	—	(3,311)	(3,311)
Increase/(decrease) in net assets	<u>(15,932)</u>	<u>406,739</u>	<u>—</u>	<u>(3,311)</u>	<u>387,496</u>
<u>Component of total equity</u>					
Decrease in land and buildings revaluation reserve	(15,932)	—	—	—	(15,932)
Decrease in investment properties revaluation reserve	—	—	(18,918)	—	(18,918)
Increase in investment revaluation reserve	—	406,739	—	—	406,739
Increase/(decrease) in retained earnings	—	—	18,918	(3,311)	15,607
Increase/(decrease) in equity	<u>(15,932)</u>	<u>406,739</u>	<u>—</u>	<u>(3,311)</u>	<u>387,496</u>
At 1 April 2005					
<u>Balance sheet items</u>					
Decrease in fixed assets	(26,525)	—	—	—	(26,525)
Increase in leasehold land and land use rights	26,525	—	—	—	26,525
Decrease in associated companies	(15,932)	—	—	—	(15,932)
Increase in available-for-sale financial assets	—	544,764	—	—	544,764
Decrease in investment securities	—	(158,298)	—	—	(158,298)
Increase in deferred tax liabilities	—	—	—	(3,311)	(3,311)
Increase/(decrease) in net assets	<u>(15,932)</u>	<u>386,466</u>	<u>—</u>	<u>(3,311)</u>	<u>367,223</u>
<u>Component of total equity</u>					
Decrease in land and buildings revaluation reserve	(15,932)	—	—	—	(15,932)
Decrease in investment properties revaluation reserve	—	—	(18,918)	—	(18,918)
Increase in investment revaluation reserve	—	386,466	—	—	386,466
Increase/(decrease) in retained earnings	—	—	18,918	(3,311)	15,607
Increase/(decrease) in equity	<u>(15,932)</u>	<u>386,466</u>	<u>—</u>	<u>(3,311)</u>	<u>367,223</u>
At 30 September 2004					
<u>Balance sheet items</u>					
Decrease in fixed assets	(27,595)	—	—	—	(27,595)
Increase in leasehold land and land use rights	27,595	—	—	—	27,595
Decrease in associated companies	(15,932)	—	—	—	(15,932)
Decrease in net assets	<u>(15,932)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,932)</u>
<u>Component of total equity</u>					
Decrease in land and buildings revaluation reserve	(15,932)	—	—	—	(15,932)
Decrease in equity	<u>(15,932)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(15,932)</u>

Notes to the Interim Accounts

3. 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	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Textiles and clothing	460,955	397,732
Dividend income from		
Listed investments	19,645	21,373
Unlisted investments	143	148
Others	1,406	1,339
	<u>482,149</u>	<u>420,592</u>
Other revenues		
Rental income less outgoings	1,163	1,637
Interest income	8,340	3,080
	<u>9,503</u>	<u>4,717</u>
Total revenues	<u>491,652</u>	<u>425,309</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 available-for-sale financial assets 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.

3. Turnover, revenue and segment information (continued)

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

Primary reporting format – business segments

	Six months ended 30 September							
	Textiles and clothing		Investments		Others		Group	
	2005	2004	2005	2004	2005	2004	2005	2004
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover	<u>460,955</u>	<u>397,732</u>	<u>19,788</u>	<u>21,521</u>	<u>1,406</u>	<u>1,339</u>	<u>482,149</u>	<u>420,592</u>
Segment results	<u>17,472</u>	<u>25,759</u>	<u>22,684</u>	<u>23,387</u>	<u>(238)</u>	<u>(1,196)</u>	<u>39,918</u>	<u>47,950</u>
Unallocated income less expenses							(2,174)	(1,999)
Gain on disposal of land and buildings		—		—		46,758	—	46,758
Operating profit before interest							37,744	92,709
Interest income less finance costs							5,637	2,509
Operating profit							43,381	95,218
Share of profits less losses of								
Associated companies	871	(804)	11,298	9,158	—	—	12,169	8,354
Jointly controlled entities	(297)	(985)	(6,076)	2,259	—	—	(6,373)	1,274
Profit before taxation							49,177	104,846
Taxation							(4,815)	(5,607)
Profit for the period							<u>44,362</u>	<u>99,239</u>

Secondary reporting format – geographical segments

	Six months ended 30 September			
	Turnover		Operating profit	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	86,227	85,413	15,439	20,078
North America	266,384	242,129	16,115	20,922
U.S.A.	262,358	239,258	16,231	20,486
Canada	4,026	2,871	(116)	436
Europe	99,660	67,888	6,822	5,169
Asia	25,097	22,092	1,751	1,664
Other countries	4,781	3,070	(209)	117
Segment results	<u>482,149</u>	<u>420,592</u>	<u>39,918</u>	<u>47,950</u>
Unallocated income less expenses			(2,174)	(1,999)
Gain on disposal of land and buildings			—	46,758
Operating profit before interest			37,744	92,709
Interest income less finance costs			5,637	2,509
Operating profit			<u>43,381</u>	<u>95,218</u>

Notes to the Interim Accounts

4. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Crediting:		
Gain on disposal of land and buildings	—	46,758
Gain on disposal of other fixed assets	—	132
Realized gain on disposal of other investments	1,211	1,555
Unrealized gain on other investments	3,273	—
Exchange gain	—	1,367
	<u>—</u>	<u>1,367</u>
Charging:		
Cost of inventories sold	364,396	308,772
Depreciation of fixed assets	8,942	8,374
Loss on disposal of other fixed assets	342	—
Unrealized loss on other investments	—	496
Staff costs	83,347	74,866
Operating leases rental in respect of land and buildings	1,163	1,049
Exchange loss	2,932	—
	<u>2,932</u>	<u>—</u>

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 operate.

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
The amount of taxation charged to the consolidated profit and loss account represents:		
Current taxation:		
Hong Kong profits tax	4,144	4,032
Overseas taxation	472	189
Under/(over) provisions in prior years	49	(211)
Deferred taxation	150	1,597
Taxation charges	<u>4,815</u>	<u>5,607</u>

6. Dividends

- (a) At a meeting held on 14 July 2005, the Directors of the Company recommended a final dividend of HK\$0.08 per share and a special dividend of HK\$0.12 per share for the year ended 31 March 2005, which were paid on 7 September 2005 and have been reflected as an appropriation of retained earnings in the Period.
- (b) At a meeting held on 15 December 2005, the Directors of the Company declared an interim dividend of HK\$0.06 per share for the year ending 31 March 2006. 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 2006.

7. Earnings per share

The calculation of earnings per share is based on the profit attributable to equity holders of the Company of HK\$44,373,000 (2004: HK\$99,439,000) and 259,685,289 (2004: 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 2005 (2004: Nil).

8. Related party transactions

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	
	2005	2004
	HK\$'000	HK\$'000
Rental and storage expenses paid to the Winsor Properties Holdings Limited ("WPHL") Group	(631)	(960)
Rental income charged to the WPHL Group	605	338
Sharing of administrative services with the WPHL Group	37	72
Sharing of administrative services with associated companies and jointly controlled entities	520	446
Purchases from jointly controlled entities	(2,304)	(1,806)
Sales to associated companies and jointly controlled entities	594	1,092
Contracting fee paid to jointly controlled entities	(518)	(576)

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.

Notes to the Interim Accounts

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:

	30/9/2005	31/3/2005
	HK\$'000	HK\$'000
Current – 30 days	60,192	61,787
31 – 60 days	46,744	27,571
Over 60 days	35,937	13,365
	<u>142,873</u>	<u>102,723</u>

10. Other investments

	30/9/2005	31/3/2005
	HK\$'000	HK\$'000
Equity securities:		
Listed in Hong Kong	11,558	10,618
Listed outside Hong Kong	34,563	18,017
Debt securities — quoted outside Hong Kong	4,160	4,156
Equity linked notes	130,050	122,410
Managed funds	14,300	19,025
Market value	<u>194,631</u>	<u>174,226</u>

11. Creditors and accruals

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

	30/9/2005	31/3/2005
	HK\$'000	HK\$'000
Current – 30 days	38,797	30,298
31 – 60 days	5,231	1,697
Over 60 days	4,380	3,802
	<u>48,408</u>	<u>35,797</u>

12. Bank loans and overdrafts

	30/9/2005	31/3/2005
	HK\$'000	HK\$'000
Unsecured, repayable on demand or within one year	<u>95,551</u>	<u>152,822</u>

13. Capital commitments

The Group did not have any material capital commitments at 30 September 2005 (31/3/2005: Nil).

14. Lease commitments

	30/9/2005	31/3/2005
	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	1,716	1,436
Later than one year and not later than five years	<u>576</u>	<u>1,400</u>
	<u>2,292</u>	<u>2,836</u>

15. Contingent liabilities

	30/9/2005	31/3/2005
	HK\$'000	HK\$'000
Bills discounted with recourse	1,168	4,320
Guarantees given in respect of banking facilities granted to: Associated companies and a jointly controlled entity	<u>33,850</u>	<u>33,850</u>
	<u>35,018</u>	<u>38,170</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

The Group's unaudited turnover for the Period was HK\$482.1 million, an increase of 14.6% compared to HK\$420.6 million for the corresponding six months in 2004. The Group's unaudited profit after tax for the Period was HK\$44.4 million, a decrease of 55.3% compared to HK\$99.2 million for the prior period which included a gain of HK\$46.8 million on the disposal of land and buildings.

The Group changed certain accounting policies in the Period following the adoption of the new/revised HKFRSs which are relevant to the Group's operations. The changes mainly affect items in the Group's balance sheet and do not have any significant impact on the Group's results for the Period and the corresponding six months in 2004.

Turnover of the Group's textiles and clothing segment for the Period was HK\$461.0 million, an increase of 15.9% compared to HK\$397.7 million for the prior period. Despite the growth in sales, this segment's operating profit before interest for the Period was reduced to HK\$17.5 million, down 32.2% from HK\$25.8 million reported for the corresponding six months in 2004. Chaos reigned the market before Mainland China came to agreement with the U.S. and the EU respectively on the anti-surge safeguard arrangements. Production was disrupted and additional costs were incurred to cope with the confusion. Keen price competition on a global scale has continued against a background of rising regional costs. The woven garment division was further plagued by labour and electricity shortages in its Panyu operation during the Period.

In terms of markets, exports to Europe reported the highest growth but the U.S. has continued to be the Group's biggest market.

During the Period, higher combined realized and unrealized gain on short-term investments has cushioned the decrease of HK\$1.7 million in dividend income. In the prior period, dividend income was boosted by a special one-off dividend received from an investee company. The operating profit before interest of the Group's investment segment was therefore HK\$22.7 million for the Period, compared to HK\$23.4 million for the prior period.

Other minor activities carried on by the Group were grouped under the segment of *Others* and their combined losses have been narrowed during the Period.

Due to the continuing rise in market interest rate, the Group's finance costs reported an increase despite reduced bank borrowings during the Period. Interest income from bank deposits and fixed income investments, however, has more than doubled on the other hand.

Fixed Assets, Investment Properties, Leasehold Land and Land Use Rights

Following the adoption of the new/revised HKFRSs, investment properties, leasehold land and land use rights are now disclosed separately from fixed assets. Purchases of fixed assets during the Period amounted to HK\$11.1 million, incurred mainly by the woven garment and wool knitting divisions on plant and machinery. Disposals of fixed assets during the Period were minor. There were no purchases or disposals of investment properties, leasehold land and land use rights during the Period. Under the old accounting policies, an amount of HK\$15.9 million was carried in the Group's land and buildings revaluation reserve in respect of leasehold land held by a 50% owned associated company in Malaysia. Upon adoption of HKAS 17, a derecognition of the said revaluation surplus has been effected retrospectively with a corresponding reduction in the Group's attributable share of the net assets of the said associated company.

Associated Companies and Jointly Controlled Entities

During the Period, the combined results of those associated companies and jointly controlled entities engaged in textile and clothing businesses turned around and reported a small profit. The results of the 46% owned cement factory in Suzhou have continued to be affected adversely by the macroeconomic control programme in Mainland China, whereas the combined profits

of those engaged in other businesses have improved. Total contribution from all associated companies and jointly controlled entities taken together was HK\$5.8 million for the Period, compared to HK\$9.6 million for the prior period.

Group Structure

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

Employees

As at 30 September 2005 the Group employed a total of about 3,850 employees, of which about 3,000 were employed in Mainland China. The latter number represented a decrease of 200 employees as compared to 31 March 2005 and reflected the labour shortage confronting the Group's woven garment operation in Panyu. 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

In prior years, the Group's long-term listed and unlisted investments were classified as investment securities and carried at cost less provision for impairment. Upon the adoption of HKASs 32 and 39, these investments have been reclassified as available-for-sale financial assets, and long-term listed investments are now carried at fair value with the increase in fair value recognized in the investment revaluation reserve. As a result, an amount of HK\$386.4 million was recognized in the investment revaluation reserve as at 1 April 2005 and a further amount of HK\$20.3 million was recognized during the Period.

The Group's long-term listed investments are all listed in Hong Kong. There were no purchases or disposals during the Period. As at 30 September 2005, they were carried at their fair value of HK\$478.9 million.

As at 30 September 2005, the net book value of the Group's long-term unlisted investments was HK\$84.0 million. During the Period, there were no significant movements save for a repayment of advances by an investee company in the sum of HK\$2.1 million.

The Group's short-term listed investments are carried at fair value and comprise mainly of equity linked notes, overseas debt securities and equity securities listed in Hong Kong and overseas. Their aggregate carrying value as at 30 September 2005 was HK\$194.6 million.

Financial Review

All the Group's financing and treasury operations are centrally managed and controlled at the corporate level.

All the Group's bank borrowings are unsecured loans on a floating rate basis and denominated in Hong Kong dollars. After netting off total bank borrowings of HK\$95.5 million from the cash and bank balances of HK\$141.7 million as at 30 September 2005, the Group's net cash surplus as at that date amounted to HK\$46.2 million, compared to the net cash surplus of HK\$25.9 million as at 31 March 2005.

Shareholders' funds as at 30 September 2005 was HK\$1,312.7 million, compared to HK\$911.7 million as at 31 March 2005 as restated. The increase was mainly due to the investment revaluation reserve in the sum of HK\$406.7 million recognised during the Period.

The Group's contingent liabilities as at 30 September 2005 amounted to HK\$35.0 million, of which HK\$33.8 million represented guarantees provided in respect of banking facilities granted to associated companies and a jointly controlled entity. The balance of HK\$1.2 million was in respect of trade bills discounted with recourse.

As at 30 September 2005 the Group did not have any material capital commitments.

Outlook

The global market for textiles and clothing should stay more orderly for some time. Business conditions, however, will continue to be tough on the basis of the rapid emergence of India as a dominant garment supplier and the higher than expected annual growth rates reached under the China–U.S. textile pact last month. Production costs are also expected to increase, driven by the robust economic growth in Mainland China.

A significant portion of the Group's earnings is derived from its investment segment. The Group's investment policy is prudent, but fluctuation in the investment market will always have a bearing on both the Group's balance sheet and profit and loss account.

DIVIDEND AND CLOSE OF REGISTER

The Directors have resolved to declare for the year ending 31 March 2006 an interim dividend of 6 cents per share. Total distribution will amount to HK\$15,581,000.

The interim dividend will be payable on 9 February 2006 to all shareholders on register as at 25 January 2006. The Register of Members and the Transfer Books will be closed from 23 January to 25 January 2006, 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, 20 January 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has observed the principles and complied with all code provisions and, to the extent possible having regard to circumstances pertaining to the Company, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code of conduct regarding Directors' securities transactions. Following specific enquiry made by the Company, all Directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

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 2005 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 (Note)	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 2005.

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 2005 the Company had 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%

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.

Save as disclosed herein, as at 30 September 2005 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 advances made by the Group to an entity which exceeded 8% of the Company's market capitalization as at 30 September 2005 of approximately HK\$991,998,000 ("Market Capitalization") based on the total number of 259,685,289 shares of the Company in issue on 30 September 2005 and the average closing price of HK\$3.82 per share for the five business days immediately preceding 30 September 2005 are as follows:

As at 30 September 2005, shareholder's loans made by the Group to Goodwill (Overseas) Ltd., in which the Group has an 18% equity interest, amounted to HK\$92,835,000. The loans are unsecured, interest free and have no fixed terms of repayment. No guarantee has been provided by the Group for the benefit of Goodwill (Overseas) Ltd. A repayment of HK\$1,396,000 has been made by Goodwill (Overseas) Ltd. since 30 September 2005.

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 2005 in aggregate exceeded 8% of the Company's Market Capitalization as at 30 September 2005. 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 2005 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	97,418	43,949
Available-for-sale financial assets	4,401	2,200
Current assets	131,940	83,413
Current liabilities	(165,077)	(80,214)
Long term liabilities	(6,469)	(1,941)
Amounts and loans due to shareholders	<u>(198,578)</u>	<u>(115,578)</u>
	<u>(136,365)</u>	<u>(68,171)</u>

On behalf of the Board
Chou Wen Hsien
Chairman

Hong Kong, 15 December 2005.