



南聯地產控股有限公司 Winsor Properties Holdings Limited

Incorporated in the Cayman Islands with limited liability

Interim Report for the six months ended 30 September 2001

INTERIM RESULTS

The Directors are pleased to present the Group's consolidated profit and loss account, consolidated cash flow statement and consolidated statement of recognised gains and losses for the six months ended 30 September 2001 ("the Period"), and the consolidated balance sheet as at 30 September 2001, 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 2001

	Note	Unaudited	
		2001	2000
		HK\$'000	HK\$'000
Turnover	2	105,879	275,307
Cost of sales		<u>(35,119)</u>	<u>(214,605)</u>
Gross profit		70,760	60,702
Other revenues		27,539	51,723
Selling expenses		(1,019)	(2,841)
Administrative expenses		(20,501)	(13,502)
Other operating expenses		<u>(415)</u>	<u>(864)</u>
		76,364	95,218
Finance costs		<u>(22,251)</u>	<u>(43,755)</u>
Operating profit	2,3	54,113	51,463
Share of profits less losses of associated companies		<u>2,557</u>	<u>90</u>
Profit before taxation		56,670	51,553
Taxation	4	<u>(2,982)</u>	<u>249</u>
Profit after taxation		53,688	51,802
Minority interests		<u>(5,690)</u>	<u>(5,107)</u>
Profit attributable to shareholders		<u>47,998</u>	<u>46,695</u>
Dividend			
2001/2002 Interim, declared on 12 December 2001, of HK\$0.05 (2000: Nil) per share		<u>12,984</u>	<u>—</u>
		HK\$	HK\$
Earnings per share	5	<u>0.18</u>	<u>0.18</u>

Condensed Consolidated Balance Sheet

At 30 September 2001

		Unaudited	Audited
		30/9/2001	31/3/2001
	<i>Note</i>	HK\$'000	HK\$'000
Fixed assets		2,612,151	2,612,197
Associated companies		60,124	100,822
Other investments		528,151	526,572
Other receivables		—	—
Current assets			
Properties for sale		145,174	145,174
Debtors and receivables	7	56,467	36,023
Tax recoverable		177	216
Cash and bank balances		25,569	21,555
		<u>227,387</u>	<u>202,968</u>
Current liabilities			
Creditors and accruals	8	101,105	95,250
Bank loans and overdrafts	9	245,320	265,048
Tax payable		14,896	14,479
		<u>361,321</u>	<u>374,777</u>
Net current liabilities		<u>(133,934)</u>	<u>(171,809)</u>
Total assets less current liabilities		<u>3,066,492</u>	<u>3,067,782</u>
Share capital		2,596	2,596
Reserves	10	2,275,298	2,287,074
Retained earnings/(accumulated loss)	11	13,602	(21,412)
Interim dividend declared		<u>12,984</u>	—
Shareholders' funds		2,304,480	2,268,258
Minority interests		17,266	13,904
Long term bank loans	12	542,564	583,693
Other long term loans		195,100	195,100
Deferred taxation		<u>7,082</u>	<u>6,827</u>
Funds employed		<u>3,066,492</u>	<u>3,067,782</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2001

	Unaudited	
	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Net cash inflow from operating activities	40,359	64,473
Net cash outflow from returns on investments and servicing of finance	(691)	(31,480)
Tax paid	(974)	(838)
Net cash inflow from investing activities	28,825	26,991
Net cash outflow from financing	(89,691)	(73,690)
Decrease in cash and cash equivalents	(22,172)	(14,544)
Cash and cash equivalents at 1st April	<u>21,176</u>	<u>20,653</u>
Cash and cash equivalents at 30 September	<u>(996)</u>	<u>6,109</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	25,569	6,518
Bank overdrafts and loans repayable within 3 months from date of advance	<u>(26,565)</u>	<u>(409)</u>
	<u>(996)</u>	<u>6,109</u>

Condensed Consolidated Statement of Recognised Gains and Losses

For the six months ended 30 September 2001

	Unaudited	
	Six months ended	
	30 September	
	2001	2000
	HK\$'000	HK\$'000
Net gains/(losses) not recognised in the profit and loss account		
Exchange differences arising on translation of accounts of subsidiaries and associated companies	1,201	(562)
Profit for the six months	47,998	46,695
Add: Realisation of exchange loss upon disposal of an associated company included in profit for the six months	15	—
Less: Realisation of investment properties revaluation reserve upon disposal of properties by subsidiaries and associated companies	(6,759)	(65,561)
Write off of investment revaluation reserve upon disposal of investments by an associated company	(6,233)	—
Total recognised gains/(losses)	<u>36,222</u>	<u>(19,428)</u>

Notes to the Interim Accounts

1. Accounting policies

These unaudited condensed consolidated interim accounts (“Interim Accounts”) are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) (“Stock Exchange”). The Interim Accounts should be read in conjunction with the annual accounts for the year ended 31 March 2001.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31 March 2001, except that the Group has adopted the following new and revised SSAPs which became effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised):	Events after the balance sheet date
SSAP 14 (revised):	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26:	Segment reporting
SSAP 28:	Provisions, contingent liabilities and contingent assets
SSAP 29:	Intangible assets
SSAP 30:	Business combinations
SSAP 31:	Impairment of assets
SSAP 32:	Consolidated financial statements and accounting for investments in subsidiaries

Other than a change to the headings used in the previously reported balance sheet at 31 March 2001, the adoption of these SSAPs had no material effect on the Group’s results.

2. Segment information

The Group is principally engaged in property investment and development and management, warehousing and investment holding. An analysis of turnover and operating profit by business and geographical segments is as follows:

Business segments

	Six months ended 30 September 2001					
	Sale of	Rental and	Warehousing	Investment	Elimination	Group
	properties	property				
	HK\$'000	management	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External	—	93,921	11,958	—	—	105,879
Inter-segment	—	1,048	—	—	(1,048)	—
	—	94,969	11,958	—	(1,048)	105,879
Segment results	—	64,506	678	24,130	—	89,314
Unallocated income less expenses						(14,599)
Gain on disposal of investment properties						1,449
Operating profit before interest						76,164
Interest income less finance costs						(22,051)
Operating profit						54,113
Share of profits less losses of associated companies		8,127	(1,024)	(4,546)		2,557
Profit before taxation						56,670
Taxation						(2,982)
Profit after taxation						53,688
Minority interests						(5,690)
Profit attributable to shareholders						47,998

2. Segment information (continued)

Business segments (continued)

	Six months ended 30 September 2000					Group HK\$'000
	Sale of properties HK\$'000	Rental and property management HK\$'000	Warehousing HK\$'000	Investment HK\$'000	Elimination HK\$'000	
	Turnover					
External	162,478	98,215	14,614	—	—	275,307
Inter-segment	—	270	—	—	(270)	—
	<u>162,478</u>	<u>98,485</u>	<u>14,614</u>	<u>—</u>	<u>(270)</u>	<u>275,307</u>
Segment results	<u>(11,404)</u>	<u>64,409</u>	<u>810</u>	<u>11,914</u>	<u>—</u>	65,729
Unallocated income less expenses						(8,726)
Gain on disposal of investment properties						37,782
Operating profit before interest						94,785
Interest income less finance costs						(43,322)
Operating profit						51,463
Share of profits less losses of associated companies		(107)	(1,535)	1,732		90
Profit before taxation						51,553
Taxation						249
Profit after taxation						51,802
Minority interests						(5,107)
Profit attributable to shareholders						<u>46,695</u>

Geographical segments

	Six months ended 30 September			
	Turnover		Operating profit	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Hong Kong	103,322	272,936	64,338	52,346
Singapore	1,786	1,868	25,213	13,544
Mainland China	771	503	(237)	(161)
	<u>105,879</u>	<u>275,307</u>	<u>89,314</u>	65,729
Unallocated income less expenses			(14,599)	(8,726)
Gain on disposal of investment properties			1,449	37,782
Operating profit before interest			76,164	94,785
Interest income less finance costs			(22,051)	(43,322)
Operating profit			<u>54,113</u>	<u>51,463</u>

Notes to the Interim Accounts

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Crediting:		
Gain on disposal of investment properties	1,449	37,782
Gross rental income from investment properties	88,697	91,835
Gross rental income from property held for development	4,937	5,138
Interest income	200	433
Dividend income from other investments	24,078	11,943
Exchange gain	<u>156</u>	<u>—</u>
Charging:		
Depreciation of fixed assets	1,923	1,939
Staff costs excluding retirement benefit costs	11,916	13,681
Cost of properties for sale sold	—	171,709
Outgoings in respect of investment properties	26,305	31,657
Outgoings in respect of property held for development	3,540	3,083
Operating leases — land and buildings	3,722	4,428
Loss on disposal of an associated company	185	—
Retirement benefit costs	289	9
Retirement gratuities paid	7,500	—
Auditors' remuneration	335	330
Exchange loss	<u>—</u>	<u>247</u>

4. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2000:16%) on the estimated assessable profits for the Period. Overseas taxation has been provided on the estimated assessable profits of subsidiaries and associated companies operating overseas, at rates applicable in the respective jurisdictions.

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
The Company and its subsidiaries:		
Hong Kong profits tax	1,390	(614)
Overseas taxation	40	100
Deferred taxation	<u>255</u>	<u>264</u>
	<u>1,685</u>	<u>(250)</u>
Associated companies:		
Hong Kong profits tax	1	1
Overseas taxation	<u>1,296</u>	<u>—</u>
	<u>1,297</u>	<u>1</u>
	<u>2,982</u>	<u>(249)</u>
Deferred tax charge for the Period has not been accounted for in respect of:		
Tax losses	<u>216</u>	<u>3,401</u>

5. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$47,998,000 (2000: HK\$46,695,000) and 259,685,288 (2000: 259,685,288) shares in issue during the Period.

6. Related party and connected transactions

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

	Six months ended 30 September	
	2001	2000
	HK\$'000	HK\$'000
Purchase of properties from Winsor Industrial Corporation, Limited ("WICL")		
Group for resale	—	88,000
Rental and storage income received from the WICL Group	2,721	2,402
Rental expenses paid to the WICL Group	822	828
Reimbursement of administrative expenses to the WICL Group	4,311	7,253

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

- (b) The following transactions constituted Connected Transactions as defined under Chapter 14 of the Listing Rules by reason that Chericourt Company Limited ("Chericourt") is a 75% owned subsidiary of the Company:

During the Period loans totalling HK\$24,307,000 were repaid by Chericourt to certain wholly owned subsidiaries (2000: HK\$17,043,000). The loans are for financing the development costs of the Regent Centre at 63-73 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong. The loans are unsecured and have no fixed terms of repayment. As at 30 September 2001, loans granted by the wholly owned subsidiaries to Chericourt amounted to HK\$619,502,000 (31/3/2001: HK\$643,809,000) of which HK\$585,300,000 (31/3/2001: HK\$585,300,000) is interest free and the remaining balance carries interest at Hong Kong Inter-bank Offer Rate plus 1.625% per annum.

On 27 January, 2000 the Company issued a guarantee to a bank to secure a term loan facility of HK\$110,000,000 granted to Chericourt. The term loan is repayable by progressive quarterly instalments within seven years, and its outstanding balance at 30 September 2001 was HK\$92,048,000 (31/3/2001: HK\$96,048,000). Each of the minority shareholders of Chericourt has provided a deed of indemnity to indemnify the Company against the guaranteed liability of Chericourt to the extent of its percentage shareholding in Chericourt.

7. Debtors and receivables

Included in debtors and receivables are trade debtors which represent mainly rents receivable from tenants of the Group's properties. The Group maintains a defined policy in respect of rent collection. Reminders are issued half-monthly when rents are overdue for 15 days, and legal actions will be taken when rents are overdue for two months. The ageing analysis of trade debtors is as follows:

	30/9/2001	31/3/2001
	HK\$'000	HK\$'000
Current – 45 days	7,466	7,329
46 – 90 days	2,954	4,839
Over 90 days	2,128	5,669
	<u>12,548</u>	<u>17,837</u>

Notes to the Interim Accounts

8. Creditors and accruals

a. Included in creditors and accruals are an amount of HK\$1,333,000 (31/3/2001: HK\$1,313,000), being money collected on behalf of an associated company, and an amount of HK\$1,863,000 (31/3/2001: HK\$3,574,000) being shared administrative expenses payable to the WICL Group.

b. Also included in creditors and accruals are trade creditors the ageing analysis of which is as follows:

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
Current – 45 days	2,598	2,643
46 – 90 days	1,006	908
Over 90 days	164	57
	<u>3,768</u>	<u>3,608</u>

9. Bank loans and overdrafts

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
Repayable on demand or within one year:		
Secured	133,102	142,000
Unsecured	27,463	20,379
	<u>160,565</u>	<u>162,379</u>
Current portion of long term bank loans (Note 12)	84,755	102,669
	<u>245,320</u>	<u>265,048</u>

The loans were all denominated in Hong Kong dollar. Certain investment properties, and property held for development and properties for sale with a total net book value of HK\$2,215,960,000 as at 30 September 2001 (31/3/2001: HK\$2,214,474,000) have been mortgaged to secure the Group's short term and long term bank loans.

10. Reserves

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
Contributed surplus		
At beginning and at end of the period	<u>857,373</u>	<u>857,373</u>
Land and buildings revaluation reserve		
At beginning of the period	44,656	67,300
Transfer to retained earnings on disposal of properties for sale	—	(22,182)
Arising from valuation – Subsidiaries	<u>—</u>	<u>(462)</u>
At end of the period	<u>44,656</u>	<u>44,656</u>
Investment properties revaluation reserve		
At beginning of the period	973,869	1,051,859
Amount realized on disposal of investment properties		
– Subsidiaries	(1,505)	(76,644)
– Associated companies	(5,254)	—
Arising from valuation		
– Subsidiaries	—	2,668
– Associated companies	<u>—</u>	<u>(4,014)</u>
At end of the period	<u>967,110</u>	<u>973,869</u>
Investment revaluation reserve		
At beginning of the period	423,302	435,042
Amount written off on disposal of investments		
– Associated companies	(6,233)	—
Arising from valuation		
– Subsidiaries	<u>—</u>	<u>(11,740)</u>
At end of the period	<u>417,069</u>	<u>423,302</u>
Exchange fluctuation account		
At beginning of the period	(12,126)	(9,999)
Exchange loss realized on disposal of an associated company	15	—
Net movement for the period	<u>1,201</u>	<u>(2,127)</u>
At end of the period	<u>(10,910)</u>	<u>(12,126)</u>
Total reserves	<u>2,275,298</u>	<u>2,287,074</u>

The Group's share of the undistributed post-acquisition reserves of associated companies comprises:

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
Investment properties revaluation reserve	421	5,675
Investment revaluation reserve	(470)	5,763
Exchange fluctuation account	<u>(5,717)</u>	<u>(5,732)</u>
	<u>(5,766)</u>	<u>5,706</u>

Notes to the Interim Accounts

11. Retained earnings/(accumulated loss)

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
At beginning of the period	(21,412)	(95,649)
Profit for the period	47,998	52,055
Transfer from land and buildings revaluation reserve	—	22,182
	<u>26,586</u>	<u>(21,412)</u>
At end of the period		
Represented by:		
Retained earnings/(accumulated loss)	13,602	(21,412)
Interim dividend declared	12,984	—
	<u>26,586</u>	<u>(21,412)</u>
Company and subsidiaries	36,883	(13,046)
Associated companies	(10,297)	(8,366)
	<u>26,586</u>	<u>(21,412)</u>

12. Long term bank loans

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
Secured		
– wholly repayable within five years	535,271	590,314
– not wholly repayable within five years	92,048	96,048
	<u>627,319</u>	<u>686,362</u>
Less: Amount repayable within one year included under current liabilities (<i>Note 9</i>)	(84,755)	(102,669)
	<u>542,564</u>	<u>583,693</u>
The bank loans are repayable as follows:		
Within one year	84,755	102,669
In the second year	438,808	472,657
In the third to fifth years inclusive	100,708	94,988
After the fifth year	3,048	16,048
	<u>627,319</u>	<u>686,362</u>

The bank loans included an amount of HK\$13,623,000 (*31/3/2001: Nil*) denominated in United States dollar, an amount of HK\$22,085,000 (*31/3/2001: HK\$21,605,000*) denominated in Singapore dollar and an amount of HK\$ Nil (*31/3/2001: HK\$13,383,000*) denominated in Japanese yen. Certain investment properties, property held for development and properties for sale with a total net book value of HK\$2,215,960,000 at 30 September 2001 (*31/3/2001: HK\$2,214,474,000*) have been mortgaged to secure the Group's short term and long term bank loans.

Subsequent to 30 September 2001, the long term bank loans have been refinanced with repayments scheduled evenly over 5 years.

13. Capital commitments

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
Contracted but not provided for	521	306
Authorised but not contracted for	—	—
	<u>521</u>	<u>306</u>

14. Lease commitments

	30/9/2001 HK\$'000	31/3/2001 HK\$'000
At the end of the period the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:		
Not later than one year	7,271	7,283
Later than one year and not later than five years	<u>8,740</u>	<u>11,500</u>
	<u>16,011</u>	<u>18,783</u>

15. Contingent liabilities

The Group did not have material contingent liabilities at 30 September 2001 (31/3/2001: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Operation Review

Out of the committed purchase by Comfort Development Ltd. of a total of 631,000 sq.ft. in Global Gateway (Hong Kong), the sale of 422,000 sq.ft. were booked in the corresponding six months in 2000. Sales completed during the Period according to the expiration of existing tenancies amounted to just 7,000 sq.ft., comprising wholly of investment properties, and the proceeds were therefore not counted as turnover. For this reason alone, the Group's turnover for the Period reported a decline of HK\$162.5 million. Profit attributable to sale of properties for the Period was HK\$1.4 million, compared to a profit of HK\$26.4 million and a direct transfer of HK\$22.2 million from land and buildings revaluation reserve to retained earnings in the corresponding six months in 2000.

The rest of the committed purchase also comprise wholly of investment properties. Completion of about 30,000 sq.ft. are scheduled for the rest of the current financial year, and completion of about two-third of the remaining 172,000 sq.ft. will fall in the first six months of the next financial year. The options to purchase other portions of the building were not exercised by the purchaser and expired on 15 October 2001.

Turnover of the rental and property management segment reported a small decline of HK\$3.5 million during the Period due mainly to the disposal of two floors of the Regent Centre in November 2000. This segment's result was however maintained through the reduction of operating costs. As at 30 September 2001, total floor spaces leased out by the Group amounted to 2.28 million sq.ft.

Due to the weakness in Hong Kong's economy and external trade, the Group's warehousing segment reported a decline of 18% in turnover and a corresponding decrease in operating profit during the Period.

The Group's investment segment derives income mainly from its 5.14% interest in Suntec City Development Pte Ltd., Singapore ("Suntec"), the principal activities of which is property development and investment and the management and operation of the Singapore International Convention and Exhibition Centre. Suntec doubled its recent dividend by reason of its cash surplus, and the Group's investment income in the Period was thereby lifted to HK\$24.1 million, compared to HK\$11.9 million in the previous corresponding six months.

Lower interest rate as well as lower bank borrowings have reduced the Group's finance costs for the Period to HK\$22.3 million, a reduction of 49%. Although retirement gratuities in the sum of HK\$7.5 million were paid during the Period, the higher dividend income and lower borrowing costs have more than compensated for the decrease in profit from sale of properties. The Group's operating profit for the Period was therefore HK\$54.1 million, an increase of 5% compared to HK\$51.5 million for the corresponding six months in 2000.

Associated Companies

A 40% owned associated company in USA disposed of its property during the Period and was voluntarily wound up afterwards. The Group's share of its profit on such disposal was HK\$8.1 million before tax. Other associated companies reported losses. Aggregate contribution from associated companies during the Period was therefore HK\$2.6 million before tax, compared to HK\$0.1 million for the previous corresponding period.

Property held for development

The 95,940 sq.ft. industrial/office site at 102 How Ming Street, Kwun Tong continues to be used as an open space car park. The Group's application to Government for modification of the lease to allow for office development is still in progress. The development plan and the timing of its implementation have therefore not been finalised, nor has any financial commitment been entered into.

Group Structure

Apart from the winding up of the associated company in USA as aforesaid, there were no other changes in the Group's structure during the Period.

Employees

As at 30 September 2001 the Group employed a total of 89 employees.

FINANCIAL REVIEW

The Group's total bank borrowings have been reduced by HK\$60.9 million during the Period and stood at HK\$787.9 million as at 30 September 2001. The loans are secured by the Group's properties with a total book value of HK\$2,216.0 million. Computed as the ratio of total bank borrowings to shareholders' funds, which amounted to HK\$2,304.5 million as at 30 September 2001, the Group's gearing was 34.2% as at that date.

The Group's total bank borrowings at 30 September 2001 comprised short-term revolving loans and overdrafts of HK\$160.6 million and long term loans of HK\$627.3 million and were all on a floating rate basis with the exception of the overdraft facilities. Out of the long term loans, the equivalents of HK\$35.7 million borrowed by a subsidiary in Singapore were denominated in United States dollar and Singapore dollar at the end of the Period but have been converted wholly to Singapore dollar since then. As at 30 September 2001, 83% of the Group's long term loans would mature over the next two years. In early November 2001, the Group's long term bank borrowings were refinanced with repayments scheduled evenly over 5 years to align with the Group's projected cash flow. Interest spreads have also been narrowed.

The Group also carries other long terms loans in the amount of HK\$195.1 million, being unsecured interest-free loans with no fixed terms of repayment from minority shareholders of a 75% owned subsidiary for financing the development costs of the Regent Centre. The Group is working with these minority shareholders on a return of their investments in the form of floor spaces in the Regent Centre.

The Group presently does not have any material contingent liabilities nor any material capital commitments.

OUTLOOK

As the global economy remains weak and uncertain, contraction in the local economy will likely continue. There will inevitably be adverse impacts on the Group's operations in terms of rental pressure and slow down in new leasing demand especially from high volume users. The reduction in borrowing cost however should continue to provide a cushion. Together with the scheduled completions of the sale of units in Global Gateway (Hong Kong) and barring any unforeseen circumstances, it is anticipated that the Group should be able to maintain the current level of profitability for the second half of the financial year.

DIVIDEND AND CLOSE OF REGISTER

In view of the profit for the Period and the financial position of the Group, the Directors have resolved to declare an interim dividend of 5 cents per share for the year ending 31 March 2002, payable on 7 February 2002 to all shareholders on register as at 31 January 2002. The Register of Members and the Transfer Books will be closed from 28 January to 31 January 2002, 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, Central Registration Hong Kong Ltd., 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 25 January 2002.

AUDIT COMMITTEE

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

COMPLIANCE WITH THE CODE OF BEST PRACTICE

During the six months the Company has complied with the Code of Best Practice set out by the Stock Exchange except that non-executive directors are not appointed for a specific term but are subject to retirement by rotation in accordance with the Company's Articles of Association, and that the Audit Committee did not have a majority of independent non-executive directors as from 15 August 2001 due to the resignation of Mr. Chow Pai Ying as an independent non-executive director. The latter non-compliance has been rectified on 23 November 2001 with the appointment of Mr. Christopher Patrick Langley to the Audit Committee.

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.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors at 30 September 2001 in the issued share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance) as recorded in the register maintained under section 29 of that Ordinance were as follows: —

<u>Name of Director</u>	<u>Personal interests</u>	<u>Family interests</u>	<u>Corporate interests</u>	<u>Other interests</u> <i>(Notes 1 & 2)</i>	<u>Total</u>
The Company					
<i>Ordinary shares held:</i>					
Mr. Cheng Wai Chee, Christopher	—	27,000	—	98,341,887	98,368,887
Mr. Chow Wai Wai, John	1,499,500	—	—	—	1,499,500
Mr. Cheng Wai Sun, Edward	—	—	—	71,790,500	71,790,500
Mr. Tang Ming Chien	600,000	—	—	—	600,000
Mr. Lam Woon Bun	50,000	10,000	—	—	60,000
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000
Mr. Chow Wei Lin	—	—	189,215	—	189,215

Notes:

(1) Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward are both beneficiaries of a family trust, the assets of which included indirect interests in 71,790,500 shares in the Company which were beneficially owned by Wing Tai Holdings Limited ("Wing Tai"), as set out in the note under the section "Substantial shareholders".

(2) The Company has been notified by Mr. Cheng Wai Chee, Christopher of the following: —

He has a corporate interest in 29% of the issued share capital of USI Holdings Ltd. ("USI"). Wing Tai is also interested in 21% of the issued share capital of USI. USI, through its wholly owned subsidiaries (Twin Dragon Investments Ltd. and Shui Hing Textiles International Ltd.), is interested in 26,551,387 ordinary shares of the Company as from 21 September 2001. Despite the legal advice obtained by him that USI's interest in the ordinary shares of the Company is not, to him, a notifiable interest, he nonetheless decided to disclose the same for transparency.

The Company has not granted any right to subscribe for equity or debt securities of the Company. Save as disclosed herein, none of the Directors had any interest in the equity or debt securities of the Company or any of its associated corporations at 30 September 2001.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the Securities (Disclosure of Interests) Ordinance shows that at 30 September 2001 the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company, other than those of the Directors as disclosed above:

<u>Name</u>		<u>Number of Ordinary shares held</u>	<u>% interest in total issued shares</u>
Crossbrook Group Limited		71,790,500	27.65%
Wing Tai Holdings Limited	(Note 1)	71,790,500	27.65%
Mr. Chou Wen Hsien	(Note 2)	38,937,963	14.99%
Mr. Chow Chung Kai	(Note 2)	38,741,665	14.92%
Twin Dragon Investments Limited		26,460,887	10.19%
USI Holdings (B.V.I.) Limited	(Note 3)	26,551,387	10.22%
USI Holdings Limited	(Note 3)	26,551,387	10.22%

Notes:

- (1) Crossbrook Group Limited is a wholly-owned subsidiary of Wing Tai. Consequently, Wing Tai is deemed, under the Securities (Disclosure of Interests) Ordinance ("SDIO"), to be interested in all the shares beneficially owned by Crossbrook Group Limited.*
- (2) Including 25,968,000 shares beneficially owned by a corporation where Mr. Chou Wen Hsien and Mr. Chow Chung Kai are each entitled to exercise one-third or more of the voting power in general meeting of the corporation.*
- (3) Twin Dragon Investments Limited is a wholly-owned subsidiary of USI Holdings (B.V.I.) Limited which in turn is a wholly-owned subsidiary of USI. Consequently, under the SDIO, USI Holdings (B.V.I.) Limited is deemed to be interested in all the shares beneficially owned by Twin Dragon Investments Limited, and USI is deemed to be interested in all the shares beneficially owned by USI Holdings (B.V.I.) Limited.*

On behalf of the Board
Cheng Wai Chee, Christopher
Chairman

Hong Kong, 12 December 2001.