



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 2003

### 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 2003 ("the Period"), and the consolidated balance sheet as at 30 September 2003, 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 2003

	Note	Unaudited	
		2003	As restated
		2003	2002
		HK\$'000	HK\$'000
		<b>Six months ended 30 September</b>	
			As restated
			2002
			HK\$'000
<b>Turnover</b>	2	<b>368,068</b>	476,872
Cost of sales		<u>(278,307)</u>	<u>(371,381)</u>
Gross profit		<b>89,761</b>	105,491
Other revenues	2	<b>2,478</b>	3,796
Selling expenses		<b>(21,694)</b>	(27,542)
Administrative expenses		<b>(48,860)</b>	(52,448)
Other operating income/(expenses), net		<u><b>15,741</b></u>	<u>(2,880)</u>
		<b>37,426</b>	26,417
Finance costs		<u><b>(1,634)</b></u>	<u>(2,547)</u>
<b>Operating profit</b>	2, 3	<b>35,792</b>	23,870
Share of profits less losses of			
Associated companies		<b>7,178</b>	9,396
Jointly controlled entities		<u><b>899</b></u>	<u>1,267</u>
<b>Profit before taxation</b>		<b>43,869</b>	34,533
Taxation	4	<u><b>(6,269)</b></u>	<u>(7,934)</u>
<b>Profit after taxation</b>		<b>37,600</b>	26,599
Minority interests		<u><b>(423)</b></u>	<u>727</u>
<b>Profit attributable to shareholders</b>		<u><b>37,177</b></u>	<u>27,326</u>
<b>Dividends</b>			
Prior year final dividend, paid, of HK\$0.08 (2002: HK\$0.08) per share	5(a)	<b>20,775</b>	20,775
Interim dividend, declared, of HK\$0.05 (2002: HK\$0.05) per share	5(b)	<u><b>12,984</b></u>	<u>12,984</u>
		<u><b>33,759</b></u>	<u>33,759</u>
		<b>HK\$</b>	<b>HK\$</b>
<b>Earnings per share</b>	6	<u><b>0.14</b></u>	<u>0.11</u>

**Condensed Consolidated Balance Sheet**

As at 30 September 2003

		<b>Unaudited</b>	As restated
		<b>30/9/2003</b>	31/3/2003
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Non-current assets</b>			
Fixed assets		178,390	185,582
Associated companies		74,229	83,281
Jointly controlled entities		154,409	147,202
Investment securities	8	145,757	147,325
Deferred tax assets		<u>7,511</u>	<u>7,934</u>
		<u>560,296</u>	<u>571,324</u>
<b>Current assets</b>			
Inventories		82,338	106,315
Debtors and other receivables	9	113,308	138,937
Other investments	10	110,526	78,381
Cash and bank balances		<u>189,156</u>	<u>197,267</u>
		<u>495,328</u>	<u>520,900</u>
<b>Current liabilities</b>			
Creditors and accruals	11	99,242	104,941
Bank loans and overdrafts	12	111,430	163,032
Tax payable		<u>6,927</u>	<u>2,188</u>
		<u>217,599</u>	<u>270,161</u>
<b>Net current assets</b>		<u>277,729</u>	<u>250,739</u>
<b>Total assets less current liabilities</b>		<u>838,025</u>	<u>822,063</u>
<b>Share capital</b>			
		129,843	129,843
<b>Reserves</b>			
		367,602	367,342
<b>Retained earnings</b>			
		293,372	269,179
<b>Proposed final dividend</b>			
		—	20,775
<b>Interim dividend declared</b>			
		<u>12,984</u>	—
<b>Shareholders' funds</b>			
		803,801	787,139
<b>Minority interests</b>			
		3,021	2,689
<b>Long term bank loans</b>			
	13	2,179	2,571
<b>Provision for retirement benefits</b>			
		26,209	26,606
<b>Deferred tax liabilities</b>			
		<u>2,815</u>	<u>3,058</u>
<b>Funds employed</b>		<u>838,025</u>	<u>822,063</u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2003

Unaudited, six months ended 30 September 2003									
	Share capital	Share premium	Capital redemption reserve	Land and buildings revaluation reserve	General reserve	Capital reserve	Exchange fluctuation account	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2003, as previously reported	129,843	306,211	775	22,267	11,845	26,878	(634)	284,349	781,534
Change in accounting policy									
– recognition of net deferred tax assets (Note 1)	—	—	—	—	—	—	—	5,605	5,605
At 1 April 2003, as restated	129,843	306,211	775	22,267	11,845	26,878	(634)	289,954	787,139
Profit for the period	—	—	—	—	—	—	—	37,177	37,177
Prior year final dividend paid	—	—	—	—	—	—	—	(20,775)	(20,775)
Realised on disposal of subsidiaries	—	—	—	—	—	—	214	—	214
Arising from translation of accounts	—	—	—	—	—	—	46	—	46
At 30 September 2003	129,843	306,211	775	22,267	11,845	26,878	(374)	306,356	803,801

Unaudited, six months ended 30 September 2002									
	Share capital	Share premium	Capital redemption reserve	Land and buildings revaluation reserve	General reserve	Capital reserve	Exchange fluctuation account	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002, as previously reported	129,843	306,211	775	22,267	11,845	26,878	6,979	268,376	773,174
Change in accounting policy									
– recognition of net deferred tax assets (Note 1)	—	—	—	—	—	—	—	6,528	6,528
At 1 April 2002, as restated	129,843	306,211	775	22,267	11,845	26,878	6,979	274,904	779,702
Profit for the period	—	—	—	—	—	—	—	27,326	27,326
Prior year final dividend paid	—	—	—	—	—	—	—	(20,775)	(20,775)
Exchange differences written back	—	—	—	—	—	—	(535)	535	—
At 30 September 2002	129,843	306,211	775	22,267	11,845	26,878	6,444	281,990	786,253

**Condensed Consolidated Cash Flow Statement**

For the six months ended 30 September 2003

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2003</b>	<b>2002</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash from operating activities</b>	<b>51,874</b>	26,652
<b>Net cash from investing activities</b>	<b>10,588</b>	18,910
<b>Net cash used in financing activities</b>	<b>(51,150)</b>	(40,075)
<b>Net increase in cash and cash equivalents</b>	<b>11,312</b>	5,487
Cash and cash equivalents at 1 April	<b>79,995</b>	84,235
Effect of foreign exchange rate changes	<b>2,196</b>	(945)
<b>Cash and cash equivalents at 30 September</b>	<b>93,503</b>	88,777
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>189,156</b>	190,807
Bank overdrafts and loans repayable within 3 months from the date of advance	<b>(95,653)</b>	(102,030)
	<b>93,503</b>	88,777

## 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 Society of Accountants (“HKSA”) 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 accounts for the year ended 31 March 2003.

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 2003, except that the Group has changed its accounting policy for deferred taxation following its adoption of SSAP 12 (revised) “Income Taxes” issued by HKSA which became effective for accounting periods commencing on or after 1 January 2003.

The change in the Group’s accounting policy for deferred taxation and the effect of adopting the new policy are set out below.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Taxation rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. The adoption of SSAP 12 (revised) represents a change in accounting policy, which has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening retained earnings at 1 April 2002 and 2003 have been increased by HK\$6,528,000 and HK\$5,605,000 respectively, which represent the net deferred tax assets not recognised prior to the respective dates under the old policy. This change has resulted in an increase in deferred tax assets, deferred tax liabilities and minority interests at 31 March 2003 by HK\$7,934,000, HK\$2,248,000 and HK\$81,000 respectively. The profits attributable to shareholders for the six months ended 30 September 2002 and 2003 have been reduced by HK\$1,279,000 and HK\$134,000 respectively. All prior year adjustments mentioned are subject to audit.

### 2. Turnover, revenue and segment information

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

	Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
Turnover		
Textiles and clothing	347,274	464,080
Dividend income from		
Listed investments	10,865	9,742
Unlisted investments	168	200
Others	9,761	2,850
	<u>368,068</u>	<u>476,872</u>
Other revenues		
Rental income from other properties less outgoings	1,206	1,077
Interest income	1,272	2,719
	<u>2,478</u>	<u>3,796</u>
Total revenues	<u>370,546</u>	<u>480,668</u>

## 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:

#### Primary reporting format - business segments

	Six months ended 30 September							
	Textile and clothing		Investment		Others		Group	
	2003	2002	2003	2002	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<b>347,274</b>	464,080	<b>11,033</b>	9,942	<b>9,761</b>	2,850	<b>368,068</b>	476,872
Segment results	<b>15,768</b>	31,563	<b>18,172</b>	(4,790)	<b>1,409</b>	(3,539)	<b>35,349</b>	23,234
Unallocated income less expenses							<b>(1,898)</b>	(1,849)
Profit on disposal of land and buildings	—	2,313	—	—	—	—	—	2,313
Profit on disposal of subsidiaries							<b>2,703</b>	—
Operating profit before interest							<b>36,154</b>	23,698
Interest income less finance costs							<b>(362)</b>	172
Operating profit							<b>35,792</b>	23,870
Share of profits less losses of								
Associated companies	<b>(2,485)</b>	(596)	<b>9,663</b>	9,992	—	—	<b>7,178</b>	9,396
Jointly controlled entities	<b>(42)</b>	131	<b>941</b>	1,136	—	—	<b>899</b>	1,267
Profit before taxation							<b>43,869</b>	34,533
Taxation							<b>(6,269)</b>	(7,934)
Profit after taxation							<b>37,600</b>	26,599
Minority interests							<b>(423)</b>	727
Profit attributable to shareholders							<b>37,177</b>	27,326

#### Secondary reporting format - geographical segments

	Six months ended 30 September			
	Turnover		Operating profit	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	<b>72,535</b>	60,961	<b>5,828</b>	3,661
North America	<b>203,889</b>	249,928	<b>22,174</b>	9,076
U.S.A.	<b>197,050</b>	243,298	<b>21,276</b>	8,261
Canada	<b>6,839</b>	6,630	<b>898</b>	815
Europe	<b>65,770</b>	85,359	<b>6,481</b>	15,394
Asia	<b>21,724</b>	73,771	<b>551</b>	(5,546)
Others	<b>4,150</b>	6,853	<b>315</b>	649
Segment results	<b>368,068</b>	476,872	<b>35,349</b>	23,234
Unallocated income less expenses			<b>(1,898)</b>	(1,849)
Profit on disposal of land and buildings			—	2,313
Profit on disposal of subsidiaries			<b>2,703</b>	—
Operating profit before interest			<b>36,154</b>	23,698
Interest income less finance costs			<b>(362)</b>	172
Operating profit			<b>35,792</b>	23,870

### 3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
<b>Crediting:</b>		
Profit on disposal of land and buildings	—	2,313
Profit on disposal of other fixed assets	489	—
Profit on disposal of subsidiaries	2,703	—
Realised gain on disposal of other investments	2,826	626
Unrealised gain on other investments	4,833	—
Exchange gain	2,863	555
Write back of provision for investment securities	44	—
	<u>44</u>	<u>—</u>
<b>Charging:</b>		
Cost of inventories sold	278,307	371,381
Depreciation of fixed assets	8,957	9,876
Loss on disposal of other fixed assets	—	17
Provision for investment securities	—	1,868
Unrealised loss on other investments	—	11,455
Staff costs	67,227	82,075
Operating leases rental in respect of land and buildings	956	1,102
Auditors' remuneration	899	964
	<u>899</u>	<u>964</u>

### 4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) 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 Group operates.

	Six months ended 30 September	
	2003 HK\$'000	2002 HK\$'000
The amount of taxation charged to the consolidated profit and loss account represents:		
The Company and its subsidiaries:		
Hong Kong profits tax	3,635	3,411
Overseas taxation	447	1,441
Deferred taxation	180	1,203
	<u>4,262</u>	<u>6,055</u>
Share of taxation attributable to:		
Associated companies	1,797	1,787
Jointly controlled entities	210	92
	<u>2,007</u>	<u>1,879</u>
	<u>6,269</u>	<u>7,934</u>

## Notes to the Interim Accounts

### 5. Dividends

- (a) At a meeting held on 10 July 2003, the Directors of the Company proposed a final dividend of HK\$0.08 per share for the year ended 31 March 2003, which was paid on 3 September 2003 and has been reflected as an appropriation of retained earnings in the Period.
- (b) At a meeting held on 11 December 2003, the Directors of the Company declared an interim dividend of HK\$0.05 per share for the year ending 31 March 2004. 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 2004.

### 6. Earnings per share

The calculation of earnings per share is based on the profit attributable to shareholders of HK\$37,177,000 (2002: HK\$27,326,000, as restated) and 259,685,289 (2002: 259,685,289) shares in issue during the Period.

Diluted earnings per share is not presented as the Company had no dilutive potential shares as at 30 September 2003 (2002: 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 normal course of the Group's business on terms no more favourable than terms available to independent third parties.

	<b>Six months ended 30 September</b>	
	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Rental and storage expenses paid to the Winsor Properties Holdings Limited ("WPHL") Group	<b>1,089</b>	1,855
Rental income charged to WPHL Group	<b>570</b>	876
Reimbursement of administrative expenses from WPHL Group	<b>288</b>	587
Reimbursement of administrative expenses from associated companies	<b>528</b>	462
Purchases from associated companies	—	6,793
Sales to associated companies	<b>1,465</b>	9,031
Contracting fee paid to jointly controlled entities	<b>942</b>	1,178

- (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. There were no amounts outstanding under the said facilities as at 30 September 2003 (31/3/2003: Nil). 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 14 of the Listing Rules.

### 8. Investment securities

	<b>30/9/2003</b>	31/3/2003
	<b>HK\$'000</b>	HK\$'000
Unlisted equity investments – at cost	<b>12,836</b>	12,896
Loans due from unlisted equity investments	<b>158,198</b>	159,810
Provision	<b>(69,758)</b>	(69,862)
	<b>101,276</b>	102,844
Equity investments listed in Hong Kong – at cost	<b>60,049</b>	60,049
Provision	<b>(15,568)</b>	(15,568)
	<b>44,481</b>	44,481
	<b>145,757</b>	147,325
Market value of listed equity investments	<b>418,807</b>	324,631

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:

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Current – 30 days	50,385	51,267
31 – 60 days	12,934	12,954
Over 60 days	6,185	6,985
	<u>69,504</u>	<u>71,206</u>

## 10. Other investments

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Equity securities:		
Listed in Hong Kong	10,597	5,865
Listed outside Hong Kong	65,152	53,202
Market linked deposits	16,048	15,015
Managed funds	18,729	4,299
Market value	<u>110,526</u>	<u>78,381</u>

## 11. Creditors and accruals

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

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Current – 30 days	29,127	33,124
31 – 60 days	3,084	3,170
Over 60 days	11,682	11,214
	<u>43,893</u>	<u>47,508</u>

## 12. Bank loans and overdrafts

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Unsecured, repayable on demand or within one year	110,653	162,272
Current portion of long term bank loans ( <i>Note 13</i> )	777	760
	<u>111,430</u>	<u>163,032</u>

## 13. Long term bank loans

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Unsecured, wholly repayable within five years	2,956	3,331
Less: Amount repayable within one year included under current liabilities ( <i>Note 12</i> )	(777)	(760)
	<u>2,179</u>	<u>2,571</u>

The long term bank loans are repayable as follows:

Within one year	777	760
In the second year	814	795
In the third to fifth years inclusive	1,365	1,776
	<u>2,956</u>	<u>3,331</u>

## Notes to the Interim Accounts

### 14. Capital commitments

The Group did not have material capital commitments at 30 September 2003 (31/3/2003: Nil).

### 15. Lease commitments

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
The future aggregate minimum lease payments under non-cancellable operating leases for land and buildings are payable as follows:		
Not later than one year	1,555	1,588
Later than one year and not later than five years	<u>541</u>	<u>654</u>
	<u><b>2,096</b></u>	<u><b>2,242</b></u>

### 16. Contingent liabilities

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Bills discounted with recourse	2,075	4,729
Guarantees given in respect of banking facilities granted to: Associated companies and a jointly controlled entity	31,850	31,850
Other investments, in proportion to the Group's equity interests in such companies	<u>13,936</u>	<u>14,038</u>
	<u><b>47,861</b></u>	<u><b>50,617</b></u>

## MANAGEMENT DISCUSSION AND ANALYSIS

### OPERATION REVIEW

During the Period the Group adopted SSAP 12 (revised) "Income Taxes" issued by the HKSA and changed the Group's accounting policy for deferred taxation. As a result of this change in accounting policy, the Group's unaudited profits attributable to shareholders for the Period and for the corresponding six months in 2002 have been reduced by HK\$134,000 and HK\$1,279,000 respectively.

The impacts of SARS have proved to be temporary but have significantly and adversely affected the results of the Group's textile and clothing businesses for the Period both in terms of turnover and profit. Results of the Group's investment segment, however, have benefited substantially from the strength of the equity markets. The Group's overall unaudited profit attributable to shareholders for the Period was HK\$37.2 million, an increase of 36.0% compared to the restated profit of HK\$27.3 million for the corresponding six months in 2002.

Turnover of the Group's textiles and clothing segment for the Period was HK\$347.3 million, a decrease of 25.2% compared to HK\$464.1 million recorded for the comparable six months in 2002. As buyers shied away from Hong Kong during the SARS outbreak, orders taken in that period was drastically reduced and therefore impacted sales in the second quarter ended 30 September 2003. Fierce competition and price-cutting continued to reign in the meantime. This segment's operating profit before interest for the Period was HK\$15.8 million, a drop of 50.0% compared to HK\$31.6 million for the comparable period in the previous year.

In terms of individual divisions, the woven garment and wool knitting divisions reported lower operating profits on reduced sales. The wool spinning, finished yarn trading and the finished fabric trading divisions each reported a small loss on lower turnover. In terms of markets, the Group's exports to North America, Europe and Asia declined across the board whereas local sales managed to report an increase.

During the Period, the Group disposed of a subsidiary engaged in decoration service in Guangxi, Mainland China together with its two subsidiaries. The profit of HK\$2.7 million from the disposal, being non-recurrent, was excluded from the segment results, so was the profit of HK\$2.3 million in the corresponding six months last year from the disposal of a piece of property by a dormant subsidiary in Malaysia.

During the Period, higher dividend income was received from the investments held and disposal of trading investments reported a profit. Based on market prices as at 30 September 2003, unrealised gain was reported on the trading investments held as at that date whereas a small amount was written back from the provision for unlisted long-term investment securities. The investment segment therefore netted an operating profit before interest of HK\$18.2 million for the Period, compared to a loss of HK\$4.8 million for the corresponding six months in 2002.

Other minor activities carried on by the Group were grouped under the segment of Others. During the Period and on the strength of the television broadcasting systems engineering business, this segment's turnover increased from HK\$2.9 million to HK\$9.8 million, and turned around its operating loss of HK\$3.5 million in the previous corresponding six months to an operating profit of HK\$1.4 million.

Under the continuing low interest rate environment, both the Group's finance costs and interest income for the Period reported a decrease, with the latter decreasing at a higher rate. Net interest expense for the Period therefore amounted to HK\$0.4 million, whereas a net interest income of HK\$0.2 million was reported in the corresponding period in 2002.

#### **Fixed Assets**

Acquisition of fixed assets during the Period amounted to HK\$2.3 million and was mainly incurred by the woven garment division.

#### **Associated Companies and Jointly Controlled Entities**

During the Period, those associated companies and jointly controlled entities engaged in the textile and clothing businesses reported a combined loss, whereas the combined profits of those engaged in other businesses have been reduced marginally. Total combined contribution from all associated companies and jointly controlled entities was therefore HK\$8.1 million before tax, compared to HK\$10.7 million for the previous corresponding period.

#### **Group Structure**

Apart from the disposal of subsidiaries reported in the foregoing, there were no other changes in the Group's structure during the Period.

#### **Employees**

As at 30 September 2003 the Group employed a total of about 3,600 employees, of which about 2,900 were employed in Mainland China. This represented a decrease of 300 employees as compared to 31 March 2003 and reflected the level of the Group's operation at 30 September 2003. 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. There was no change in the portfolio during the Period. At 30 September 2003, their net book value was HK\$44.5 million and their market value was HK\$418.8 million.

At 30 September 2003, the net book value of the Group's long-term unlisted investments was HK\$101.3 million. Movements during the Period were mainly due to repayment of advances by investee companies in the aggregate sum of HK\$1.6 million.

The Group's short-term listed investments are carried at market value and comprise mainly of securities listed in Hong Kong and the United States. Trading profit during the Period amounted to HK\$2.8 million, and an unrealised profit of HK\$4.8 million was recognised based on market prices as at 30 September 2003. Their carrying value as at that date was HK\$110.5 million.

## **FINANCIAL REVIEW**

As at 30 September 2003, the Group's cash and bank balances amounted to HK\$189.2 million, and short-term bank borrowings amounted to HK\$110.7 million. The balance as at that date of a 5-year long term bank loan for the acquisition of machinery in 2002 was HK\$3.0 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\$277.7 million and HK\$803.8 million respectively as at 30 September 2003. The Group's gearing ratio as at that date, computed as the ratio of total bank borrowings to shareholders' funds, was 14.1%.

The Group's contingent liabilities as at 30 September 2003 amounted to HK\$47.9 million, of which HK\$45.8 million represent guarantees given in respect of banking facilities granted to associated companies, a jointly controlled entity and investee companies. The balance of HK\$2.1 million was in respect of trade bills discounted with recourse.

As at 30 September 2003 the Group did not have any material capital commitments.

## **OUTLOOK**

With the emergence of more signs for a sustainable recovery in the global economy and revival of consumer confidence in the major markets, prospects are now brighter for the Group's textile and clothing businesses. The Group's woven garment division is currently carrying a strong order book and has recently set up an operation in Macau. Business of the wool knitting division also reports some improvement for the Spring season. In the face of strong competition, cost management is the key to survival for the other textile divisions. Having reported good results for the Period, performance of the Group's investment portfolio is subject to fluctuation in the investment markets and will continue to affect the Group's overall results in an unpredictable yet no small manner.

## **DIVIDEND AND CLOSE OF REGISTER**

The Directors have resolved to declare for the year ending 31 March 2004 an interim dividend of 5 cents per share. Total distribution will amount to HK\$12,984,000.

The interim dividend will be payable on 5 February 2004 to all shareholders on register as at 28 January 2004. The Register of Members and the Transfer Books will be closed from 26 January to 28 January 2004, 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 Wednesday, 21 January 2004.

## **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 2003 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			
	Interests held as beneficial owner	Interests held by controlled corporation (Note)	Total number of shares held	Percentage of issued share capital
<b>The Company</b>				
<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%
<b>Super-Rich Finance Limited</b>				
<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%
<b>Winsor Health Investment Limited</b>				
<i>Ordinary shares:</i>				
Mr. Chou Wen Hsien	—	300	300	30.00%
Mr. Chow Chung Kai	—	300	300	30.00%
<b>Winsor Health Products Limited</b>				
<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%
<b>Winsor Health Products (International) Limited</b>				
<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 2003.

#### **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 2003 the Company has been notified of the following interests in the issued share capital of the Company:

<b>Name of substantial shareholder</b>	<b>Number of ordinary shares held</b>	<b>Percentage of issued share capital</b>
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 :*

*With the exception of 5,771 shares in which Liu Chong Hing Bank Limited is interested as custodian for other parties, all the above interests are deemed interests under Part XV of the SFO in respect of the 192,615,464 shares in the Company ("the said Shares") beneficially owned by Super-Rich Finance Limited. Mrs. Chou Yim Wan Chun, Ina is deemed to be interested in the said Shares by reason of the deemed interest of her spouse, Mr. Chou Wen Hsien, in the said Shares. Mrs. Chow Yu Yue Chen is deemed to be interested in the said Shares by reason of the deemed interest of her spouse, Mr. Chow Chung Kai, in the said Shares. Liu Chong Hing Bank Limited is deemed to be interested in the said Shares as custodian for Super-Rich Finance Limited.*

Save as disclosed herein, as at 30 September 2003 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.

On behalf of the Board  
**Chou Wen Hsien**  
Chairman

Hong Kong, 11 December 2003.