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Corporate Information

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Directors

Poon Bun Chak (Chairman and Managing Director)
Poon Kai Chak
Poon Kei Chak
Poon Kwan Chak
Ting Kit Chung
Au Son Yiu*
Cheng Shu Wing*

* Independent Non-executive Directors

Principal Bankers

Hongkong Bank
Bank of China
The Fuji Bank
Bank of America (Asia)
BNP Paribas

Websites

<http://www.texwinca.com/>
<http://www.irasia.com/listco/hk/texwinca/>

Company Secretary

Chan Chi Hon

Registered Office

Clarendon House,
Church Street,
Hamilton HM11,
Bermuda.

Head Office and Principal Place of Business

16th Floor, Metroplaza,
Tower II,
223 Hing Fong Road,
Kwai Chung,
New Territories,
Hong Kong.

Principal Registrar and Transfer Office

Butterfield Corporate Services Limited
Rosebank Centre,
14 Bermudiana Road,
Pembroke,
Bermuda.

Hong Kong Branch Registrar and Transfer Office

Tengis Limited
4/F., Hutchison House,
10 Harcourt Road,
Central,
Hong Kong.

Auditors

Ernst & Young
Certified Public Accountants

Legal Advisors

Jennifer Cheung & Co.
Wilkinson & Grist

Financial Information

SIX MONTHS ENDED 30TH SEPTEMBER 2001

The Board of Directors of Texwinca Holdings Limited (the "Company") has pleasure in presenting the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30th September, 2001 as follows:

Condensed Consolidated Profit and Loss Account

		Six months ended 30th September	
	<i>Notes</i>	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
TURNOVER	4	2,484,440	2,089,975
Cost of sales		(1,747,033)	(1,523,390)
Gross profit		737,407	566,585
Other revenue		13,482	9,910
Selling and distribution costs		(319,298)	(203,110)
Administrative expenses		(154,494)	(130,048)
Other operating expenses		(1,086)	(10,047)
PROFIT FROM OPERATING ACTIVITIES	5	276,011	233,290
Share of profit of an associate		34,647	25,648
Finance costs		(4,455)	(3,693)
PROFIT BEFORE TAX		306,203	255,245
Tax	6	(33,219)	(22,984)
PROFIT BEFORE MINORITY INTERESTS		272,984	232,261
Minority interests		(2,362)	—
NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS		270,622	232,261
Interim dividend		101,812	76,531
Interim dividend per share (HK cents)		8.0	6.0
Earnings per share (HK cents)	7		
Basic		21.2	18.2
Diluted		20.6	17.9

Condensed Consolidated Statement of Recognised Gains and Losses

Six months ended 30th September

2001	2000
(Unaudited)	(Unaudited)
HK\$'000	HK \$'000

Exchange differences on translation of the financial statements of foreign entities	(124)	(52)
Net losses not recognised in the consolidated profit and loss account	(124)	(52)
Net profit from ordinary activities attributable to shareholders	270,622	232,261
Total recognised gains and losses	270,498	232,209

Condensed Consolidated Balance Sheet

	Notes	At 30th September 2001 (Unaudited) HK\$'000	At 31st March 2001 (Audited) HK\$'000 (Restated)
NON-CURRENT ASSETS			
Fixed assets		848,062	777,500
Investment properties		29,600	29,600
Construction in progress		40,868	9,605
Trademarks		42,964	44,211
Interest in an associate		111,390	97,701
Rental deposits		63,088	40,638
		<hr/> 1,135,972	<hr/> 999,255
CURRENT ASSETS			
Due from an associate		88,914	36,518
Inventories		513,331	629,185
Trade and bills receivables	8	521,065	401,660
Prepayments, deposits and other receivables		229,811	155,494
Cash and cash equivalents		367,329	354,781
Pledged time deposit		634	—
		<hr/> 1,721,084	<hr/> 1,577,638
CURRENT LIABILITIES			
Due to an associate		61,768	44,248
Trade and bills payables	9	613,802	524,025
Other payables and accrued liabilities		145,375	162,660
Tax payable		95,044	77,591
Interest-bearing bank loans		19,603	34,472
		<hr/> 935,592	<hr/> 842,996

Condensed Consolidated Balance Sheet *(continued)*

	<i>Notes</i>	At 30th September 2001 (Unaudited) HK\$'000	At 31st March 2001 (Audited) HK\$'000 (Restated)
NET CURRENT ASSETS		785,492	734,642
TOTAL ASSETS LESS CURRENT LIABILITIES		1,921,464	1,733,897
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		48,201	15,114
Deferred tax		28,191	24,479
		76,392	39,593
MINORITY INTERESTS		10,408	8,046
		1,834,664	1,686,258
CAPITAL AND RESERVES			
Issued capital		63,733	63,662
Reserves	10	1,770,931	1,622,596
		1,834,664	1,686,258

Condensed Consolidated Cash Flow Statement

Six months ended 30th September

	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
NET CASH INFLOW FROM OPERATING ACTIVITIES	307,963	202,971
NET CASH INFLOW/(OUTFLOW) FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(96,091)	15,515
TAX PAID	(9,095)	(3,638)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	(200,540)	(110,906)
NET CASH INFLOW BEFORE FINANCING ACTIVITIES	2,237	103,942
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	9,220	(60,455)
INCREASE IN CASH AND CASH EQUIVALENTS	11,457	43,487
Cash and cash equivalents at 1st April	354,562	205,495
Foreign exchange adjustments	(717)	(400)
CASH AND CASH EQUIVALENTS AT 30TH SEPTEMBER	365,302	248,582
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	104,993	49,028
Time deposits	262,336	201,527
Less: Bank overdrafts	(2,027)	(1,423)
Trust receipt loans	—	(550)
	365,302	248,582

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

The unaudited interim financial statements have been prepared in accordance with the Statement of Standard Accounting Practice (the “SSAP”) 25 “Interim Financial Reporting” issued by the Hong Kong Society of Accountants (the “HKSA”) and Appendix 16 of the Listing Rules of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

2. Principal accounting policies

The principal accounting policies and methods of computation adopted in the preparation of the unaudited interim financial statements are consistent with those followed in the latest audited annual financial statements, except as described below:

Dividend proposed or declared after the balance sheet date

In prior years, dividend proposed or declared after the balance sheet date was recognised as liabilities at the balance sheet date. Under the SSAP 9 (Revised) “Events After the Balance Sheet Date” issued by the HKSA, dividend proposed or declared after the balance sheet date is no longer recognised as a liability at the balance sheet date, but is disclosed as a separate component of the shareholders’ fund. The change in accounting policy has been applied retrospectively, resulting in a prior year adjustment. As a result of the change, the shareholders’ fund and the current liabilities as at 31st March, 2001 were increased and decreased by HK\$114,903,000 respectively. (See note 10)

Trademarks

Trademarks are stated at costs less any accumulated amortisation and any impairment losses. Amortisation is calculated on a straight line basis to write off the costs over their estimated useful lives. Following the introduction of the new SSAP 29 “Intangible Assets” and SSAP 31 “Impairment of Assets” issued by the HKSA, the directors have reassessed the useful lives of the trademarks held by the Group and decided to change their original estimates from 30 years to 20 years for prudence purpose. As a result of the change, the amortisation of trademarks of current period was HK\$1,450,000 (2000: HK\$873,000).

Leases

The Group has adopted the SSAP 14 (Revised) “Leases” during the period. The SSAP mainly prescribes the accounting policy and disclosure requirements in respect of finance and operating leases. The adoption of the revised SSAP does not have any impact on the financial statements of the Group except that the disclosure of operating lease commitments has been revised according to the new disclosure requirements. (See note 14)

Business combinations

In prior years, goodwill arising from acquisitions was charged against reserves and was written back to the profit and loss account upon the disposal of the relevant subsidiary or associate. According to the newly introduced SSAP 30 “Business Combinations”, goodwill arising from acquisitions is capitalised and amortised over its estimated useful life of not more than 20 years on a straight-line basis. Negative goodwill arising from acquisition is treated as a deduction from assets and will be recognised as income based on the situation giving rise to the negative

goodwill. The Group has adopted the accounting policy in current period and has taken advantage of the transitional provisions of the SSAP 30 of not restating any goodwill written off in prior years.

3. Principal activities

The Group's principal activities during the period include the production, dyeing and sale of knitted fabric and yarn, the retailing and distribution of casual apparel and accessories, the provision of repair and maintenance services for motors and generators and the trading of generators. There was no change in the principal activities of the Group during the period.

4. Segmental information

An analysis of the Group's turnover and profit from operating activities by principal activity and geographical area during the period is shown as follows:

	Turnover		Profit/(loss) from operating activities	
	Six months ended 30th September	2000 (Unaudited) HK\$'000	Six months ended 30th September	2000 (Unaudited) HK\$'000
By activity:				
Production, dyeing and sale of knitted fabric and yarn	1,526,524	1,353,754	257,518	193,212
Retailing and distribution of casual apparel and accessories	945,964	720,293	19,916	39,016
Repair and maintenance services for motors and generators, and trading of generators	11,952	15,928	(1,423)	1,062
	<u>2,484,440</u>	<u>2,089,975</u>	<u>276,011</u>	<u>233,290</u>
By geographical area:				
United States of America ("US")	785,112	705,462	132,445	100,686
Mainland China	739,883	650,239	61,342	71,737
Japan	374,386	242,895	63,157	34,667
Hong Kong	301,656	253,585	11,654	5,936
Elsewhere	283,403	237,794	7,413	20,264
	<u>2,484,440</u>	<u>2,089,975</u>	<u>276,011</u>	<u>233,290</u>

5. Profit from operating activities

The Group's profit from operating activities is arrived at after charging/(crediting):

	Six months ended 30th September	
	2001	2000
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of inventories sold	1,747,033	1,523,390
Depreciation:		
Owned fixed assets	72,857	57,376
Leased fixed assets	—	62
Staff costs including directors' remuneration	190,886	142,424
Amortisation of trademarks	1,450	873
Operating lease rentals for land and buildings	166,243	99,280
Operating lease rentals for plant and machinery	4,760	4,686
Auditors' remuneration	643	637
Provision for doubtful debts	(3)	8,636
Loss on disposal of fixed assets	1,090	1,408
Exchange losses, net	1,715	991
Net rental income	(2,078)	(2,102)
Interest income	(5,266)	(4,208)

6. Tax

Hong Kong profits tax is provided at the rate of 16.0% (2000: 16.0%) on the estimated assessable profits arising in Hong Kong for the period.

Taxes on profits in respect of subsidiaries operating overseas have been calculated at the rates of tax prevailing in the respective tax jurisdictions in which they operate based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30th September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Group:		
Hong Kong and PRC profits tax:		
Current period provision	26,549	19,369
Deferred tax	3,712	1,350
	30,261	20,719
Associate	2,958	2,265
	33,219	22,984

7. Earnings per share

(a) *Basic earnings per share*

The calculation of the basic earnings per share is based on the net profit from ordinary activities attributable to shareholders of HK\$270,622,000 (2000: HK\$232,261,000) and the weighted average number of 1,276,310,956 (2000: 1,277,676,716) shares in issue during the period.

(b) *Diluted earnings per share*

The calculation of the diluted earnings per share is based on the followings:

	Six months ended 30th September	
	2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Net profit from ordinary activities attributable to shareholders	270,622	232,261
Weighted average number of ordinary shares used in calculation of basic earnings per share	1,276,310,956	1,277,676,716
Deemed issue of ordinary shares for no consideration arising from share options	38,152,447	17,770,423
Weighted average number of ordinary shares used in calculation of diluted earnings per share	1,314,463,403	1,295,447,139

8. Trade and bills receivables

	At 30th September 2001 (Unaudited) HK\$'000	At 31st March 2001 (Audited) HK\$'000
Trade and bills receivables	525,935	406,749
Less: Provision for doubtful debts	(4,870)	(5,089)
	<hr/>	<hr/>
Trade and bills receivables	521,065	401,660
	<hr/> <hr/>	<hr/> <hr/>
The ageing analysis of trade and bills receivables was as follows:		
Within 90 days	500,328	383,897
Over 90 days	20,737	17,763
	<hr/>	<hr/>
	521,065	401,660
	<hr/> <hr/>	<hr/> <hr/>

The trading terms with customers are largely on credit. Invoices are normally payable within 90 days of issuance, except for certain well-established customers, where the terms are extended up to 120 days subject to the approval of directors. The Group seeks to maintain strict control over its outstanding receivables and has a credit control policy to minimize credit risk. Overdue balances are regularly reviewed by directors.

9. Trade and bills payables

The ageing analysis of trade and bills payables was as follows:

	At 30th September 2001 (Unaudited) HK\$'000	At 31st March 2001 (Audited) HK\$'000
Within 90 days	553,438	504,072
Over 90 days	60,364	19,953
	<hr/>	<hr/>
	613,802	524,025
	<hr/> <hr/>	<hr/> <hr/>

10. Reserves

	At 31st March 2001 (Audited) HK\$'000 (As originally stated)	Prior period (Unaudited) HK\$'000 (Note 2)	At 31st March 2001 (Unaudited) HK\$'000 (Restated)	Exercise of share options (Unaudited) HK\$'000	Transfer on repurchase of own shares (Unaudited) HK\$'000	Transfer on foreign exchange adjustment (Unaudited) HK\$'000	Retained profits for the period (Unaudited) HK\$'000	Final dividend paid for 2000/2001 (Unaudited) HK\$'000	Interim dividend proposed for 2001/ 2002 (Unaudited) HK\$'000	At 30th September 2001 (Unaudited) HK\$'000
Share premium account	305,960	—	305,960	4,670	(11,930)	—	—	—	—	298,700
Capital redemption reserve	1,228	—	1,228	—	259	—	—	—	—	1,487
Contributed surplus Goodwill on acquisition	3,986	—	3,986	—	—	—	—	—	—	3,986
Goodwill on acquisition	(110,603)	—	(110,603)	—	—	—	—	—	—	(110,603)
Exchange fluctuation reserve	(10,360)	—	(10,360)	—	—	(124)	—	—	—	(10,484)
Investment property revaluation reserve	7,238	—	7,238	—	—	—	—	—	—	7,238
Asset revaluation reserve	7,840	—	7,840	—	—	—	—	—	—	7,840
Retained profits	1,302,404	—	1,302,404	—	(259)	—	270,622	—	(101,812)	1,470,955
Dividend reserve	—	114,903	114,903	—	—	—	—	(114,903)	101,812	101,812
Total	1,507,693	114,903	1,622,596	4,670	(11,930)	(124)	270,622	(114,903)	—	1,770,931

11. Related party transactions

(a) During the period, the Group had the following transactions with its associates:

	Notes	Six months ended 30th September 2001 (Unaudited) HK\$'000	2000 (Unaudited) HK\$'000
Sales to Megawell Industrial Limited & its subsidiaries ("Megawell Group")	(i)	283,974	163,659
Purchases from Megawell Group	(ii)	104,682	79,621

11. Related party transactions (continued)

Notes:

- (i) The sales to Megawell Group were made according to the prices and conditions offered to the major customers of the Group.
- (ii) The directors consider that the purchases from Megawell Group were made according to the prices and conditions similar to those offered to other customers of the associate.

In addition, the Company and the Group have provided certain guarantees of banking facilities granted to the associate, as detailed in note 12 to the financial statements.

- (b) As at 30th September, 2001 Nice Dyeing Factory Limited, a wholly-owned subsidiary of the Company, provided advances of HK\$231,880,000 (31st March, 2001: HK\$297,291,000) to Baleno Kingdom Limited, a non-wholly owned subsidiary, at prime rate minus 1.25% per annum (31st March, 2001: prime rate minus 1.25% per annum). The advances are unsecured and have no fixed terms of repayment. The principal purpose of these advances is to finance the non-wholly owned subsidiary's operations.

12. Contingent liabilities

Contingent liabilities not provided for in the financial statements were:

	Group	
	At 30th September 2001 (Unaudited) HK\$'000	At 31st March 2001 (Audited) HK\$'000
Guarantees of banking facilities granted to an associate	14,000	14,000
Export bills discounted with recourse	56,694	97,942
Bank guarantee in lieu of rental deposits	2,214	—
	72,908	111,942

At 30th September, 2001, irrevocable and unconditional guarantees aggregating HK\$1,222 million (31st March, 2001: HK\$1,091 million) have been given by the Company in respect of an associate's and certain subsidiaries' banking facilities and borrowings aggregating HK\$65,625,000 (31st March, 2001: HK\$50,204,000).

13. Capital commitments

The aggregate commitments for capital expenditure not being provided for in the financial statements were:

	At 30th September 2001 (Unaudited) HK\$'000	At 31st March 2001 (Audited) HK\$'000
In respect of fixed assets, authorised but not contracted for	40,689	—
contracted for but not provided for	97,153	43,131
In respect of investment in subsidiaries in the PRC, contracted for but not provided for	23,837	65,323
	161,679	108,454

14. Operating lease commitments

At 30th September, 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	At 30th September 2001 (Unaudited) HK\$'000	At 31st March 2001 (Unaudited) HK\$'000 (Restated)
In respect of land and buildings:		
Within one year	260,210	328,835
In the second to fifth year, inclusive	358,118	442,832
After five years	134,208	148,953
	752,536	920,620
In respect of plant and machinery:		
Within one year	9,430	9,423
In the second to fifth year, inclusive	33,003	33,924
After five years	26,403	30,155
	68,836	73,502

15. Comparative figures

As a result of the adoption of certain new or revised accounting policies, certain comparative figures have been reclassified to conform with the current period presentation.

Management Discussion and Analysis

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Interim Dividend

The Board has declared an interim dividend of HK8.0 cents per share (2000: HK6.0 cents) for the six months ended 30th September, 2001. The interim dividend will be payable on 8th February, 2002 (Friday) to shareholders registered on the Register of Members at the close of business on 23rd January, 2002 (Wednesday).

Closure of Register of Members

The Register of Members will be closed from 17th January, 2002 (Thursday) to 23rd January, 2002 (Wednesday) (both days inclusive), during which period no transfer of shares can be registered. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrar in Hong Kong, Tengis Limited at 4/F., Hutchison House, 10 Harcourt Road, Central, Hong Kong for registration not later than 4:00 p.m. on 16th January, 2002 (Wednesday).

Business Review

For this interim period, the Group's total turnover and net profit from ordinary activities attributable to shareholders were HK\$2,484 million and HK\$271 million respectively, an increase of 19% and 17% over the same period of last year. The Board has recommended an interim dividend of HK8 cents per share. Compared to HK6 cents per share of the same period of last year, the increase was 33%.

Turnover for the knitted fabric business was HK\$1,527 million, a rise of 13%, and represented 61% of total turnover. During the period, a steady growth in sales was achieved despite a slowdown in the US economy and the September 11 terrorist attack on New York. Whilst there was downward pressure on prices, the costs of raw materials also came down, as a result profit margin was not much affected. The management has continued with its plan to expand productivity with an aim to increase market share and improve cost effectiveness.

Business Review (continued)

Turnover for the retail and distribution business was HK\$946 million, a rise of 31%, and represented 38% of total turnover. The development in the Mainland China, Hong Kong, Taiwan and Singapore at the end of the period was as follows:

	Sales			Retail Outlets*		
	Six months ended			30th	31st	30th
	30th September			September	March	September
	2001	2000	Growth	2001	2001	2000
	HK\$'000	HK\$'000	rate			
			%			
Mainland China	657,542	535,102	23	747	637	545
Hong Kong	143,690	128,014	12	37	39	28
Taiwan	127,705	57,177	123	117	96	62
Singapore	17,027	—	N/A	13	—	—
	945,964	720,293		914	772	635

* Include self-owned and franchised outlets

In view of the robust Chinese economy, we have revised upwards our target for new outlets from 100 to 150 for this year. Our strategy for the China market is predominantly to increase market share, currently we have outlets in 30 provinces and 210 cities. The Taiwan market has been growing quickly. However, due to bad weather conditions, sales during the period were not up to our expectations. As for the Hong Kong market, a more conservative policy has been adopted under current economic conditions, and efforts have been made to reduce rental costs. Sales in the newly developed Singapore market have reached our target. As to other parts of the world, the Group also has franchised shops in South Korea, Malaysia, Iran, Jordan, Kuwait, Saudi Arabia and Macau.

For the current interim period, profit before tax contributed by the associated garment manufacturing business was HK\$35 million, an increase of 35% over the same period of last year. Growth in productivity and sales was satisfactory, with Asia remaining our major market during the half year. As Vietnam had been granted the Normal Trade status by the US, the management decided to increase our productivity in Vietnam in order to further develop the US market.

Financial Condition

The financial condition of the Group remained sound. At 30th September, 2001, cash and cash equivalents amounted to HK\$367 million. Total bank borrowings were HK\$68 million. At the end of the period, unutilized banking facilities were HK\$1,156 million. Total debt to equity ratio was 0.6. The revenue and procurement of the Group were mainly denominated in US dollar, HK dollar and Renminbi. During the period, the Group had entered into forward foreign exchange contracts and other financial instruments to reduce foreign exchange risks. At the end of the interim period, the Group's contingent liabilities were HK\$73 million, which were mainly related to discounted export bills.

Human Resources

As at 30th September, 2001, the Group had a total of 10,694 employees, an increase of 585 people over the end of last year. The Group offers very competitive remuneration packages for its employees, these as well as the remuneration policy are reviewed on a regular basis. We are fully committed to the training of our staff, moreover, the personal development of our employees is also a concern of the Group.

Outlook

The effect of a rapidly decelerating US economy is not clear at the moment, so contingency plans have been made by the management to provide for the worst. Nevertheless, the management believes that the September 11 terrorist attack has actually quickened the economic cycle of the US. With the war with Afghanistan nearing an end, and interest rates at a very low level, we believe that the US economy will recover soon. Consequently the management is still optimistic about our business with the US. The entrance of China into the WTO and Vietnam being granted the Normal Trade status also provide business opportunities for the Group. The management is working aggressively to profit from these recent developments.

Although the Group had been able to make progress in developing new markets, cost control and productivity enhancement, it was not an easy half year for our business developments. For the next half year, the management will continue with our developments as planned. The manufacturing business remains competitive in the market, so efforts will be made to increase productivity in order to cope with market demand. The focus of the retail business will continue to be the Mainland China, where the expansion of our market share is expected to continue. The retail business in Taiwan has matured, and is expected to produce better results. With a sound financial condition, the management does not foresee any obstacles in our business development, and is very confident about the results of the coming half year.

Other Information

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Directors' Interest in Share Capital

At 30th September, 2001, the interests of the directors and their associates in the share capital of the Company and its associated corporations as recorded in the register maintained by the Company pursuant to Section 29 of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance") were as follows:

Name of director	Number of ordinary shares of the Company held			Total
	Personal Interests	Family Interests	Corporate Interests	
Poon Bun Chak (<i>Note</i>)	33,720,000	234,800,104	571,200,000	839,720,104
Poon Kai Chak	7,502,800	—	—	7,502,800
Poon Kei Chak	27,377,200	—	—	27,377,200
Poon Kwan Chak	10,442,800	—	—	10,442,800
Ting Kit Chung	11,100,000	—	—	11,100,000
Cheng Shu Wing	300,000	—	—	300,000
Au Son Yiu	500,000	—	—	500,000
	<u>90,942,800</u>	<u>234,800,104</u>	<u>571,200,000</u>	<u>896,942,904</u>

Note: 234,800,104 shares are owned by Farrow Star Limited, which is wholly-owned by Perfection Inc. as trustee for The Evergreen Trust, a discretionary trust, the beneficiaries of which include the family members of Mr. Poon Bun Chak. These shares are held as family interests under the SDI Ordinance.

571,200,000 shares are owned by Giant Wizard Corporation in which Farrow Star Limited has an 87.51% equity interest, and are held as corporate interests under the SDI Ordinance. A 12.4% interest in Giant Wizard Corporation is owned by Mr. Poon Kei Chak, Mr. Poon Kwan Chak and Mr. Poon Kai Chak.

Save as disclosed above, none of the directors, or their respective spouses or children under 18 years of age of any of the directors or chief executives or their associates, had any personal, family, corporate or other interests in the share capital of the Company or any of its associated corporations, as defined in the SDI Ordinance.

Apart from the share option scheme of the Company, at no time during the period was the Company or any of its subsidiaries a party to any arrangement to enable the Company's directors, their respective spouses, or children under 18 years of age to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

At 30th September, 2001, no person, other than the directors of the Company whose interests are set out above, had registered an interest in the share capital of the company that was required to be recorded under Section 16(1) of the SDI Ordinance, as having an interest in 10% or more of the issued share capital of the Company.

Arrangements to Purchase, Redeem and Sell Shares

During the six months ended 30th September, 2001, the Company repurchased a total of 5,176,000 of its listed shares on the Stock Exchange as follows:

Month/Year	Number of shares repurchased	Price per share		Aggregate consideration HK\$'000
		Highest HK\$	Lowest HK\$	
April 2001	534,000	2.000	1.930	1,046
May 2001	100,000	2.375	2.375	237
September 2001	<u>4,542,000</u>	2.625	2.150	<u>10,860</u>
	<u>5,176,000</u>			12,143
Add: Brokerage & commission charges				<u>46</u>
Total cash paid				<u>12,189</u>

The above repurchased shares have been duly cancelled and the issued share capital of the Company has been reduced according to the par value of the cancelled shares.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, redeemed, or sold any of the Company's securities during the six months ended 30th September, 2001.

Audit Committee

The Audit Committee (the "Committee") of the Group comprises the two independent directors, Messrs. Au Son Yiu and Cheng Shu Wing. At the time of establishment, the terms of reference and duties have been laid down as guideline for the Committee. The duties of the Committee include the review and supervision of the financial reporting process and internal controls.

For the interim period, the Committee has reviewed and discussed with management the interim report and the internal controls of the Group and made recommendations to the Board.

Code of Best Practice

In the opinion of the directors, the Company complied with the Code of Best Practice as set out in Appendix 14 of the Listing Rules of the Stock Exchange throughout the accounting period covered by the interim report.

By order of the Board
Poon Bun Chak
 Chairman

Hong Kong, 18th December, 2001