TEXWINCA
holdings limited

Interim report 2005

Contents

Corporate Information

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*
Wong Tze Kin, David*

* *Independent Non-executive Directors*

Nomination Committee
Cheng Shu Wing *(Chairman)*
Au Son Yiu
Ting Kit Chung
Wong Tze Kin, David

Remuneration Committee
Au Son Yiu *(Chairman)*
Cheng Shu Wing
Ting Kit Chung
Wong Tze Kin, David

Audit Committee
Wong Tze Kin, David *(Chairman)*
Au Son Yiu
Cheng Shu Wing

Company Secretary
Chan Chi Hon

Registered Office
Clarendon House,
2 Church Street,
Hamilton HM 11,
Bermuda.

Head Office and Principal Place of Business
16th Floor, Metroplaza,
Tower II,
223 Hing Fong Road,
Kwai Chung,
New Territories,
Hong Kong.

Principal Share Registrar and Transfer Office
Butterfield Fund Services
(Bermuda) Limited
Rosebank Centre,
14 Bermudiana Road,
Pembroke,
Bermuda.

Hong Kong Branch Share Registrar and Transfer Office
Tengis Limited
G/F.,
Bank of East Asia Harbour View Centre,
56 Gloucester Road,
Wanchai,
Hong Kong.
(will be relocated to 26/F.,
Tesbury Centre
28 Queen's Road East,
Wanchai, Hong Kong with effect from
3 January 2006)

Auditors
Ernst & Young
Certified Public Accountants

Legal Advisors
Jennifer Cheung & Co.
Wilkinson & Grist

Principal Bankers
Bank of America (Asia) Ltd.
Bank of China (Hong Kong) Ltd.
BNP Paribas
Citibank, N.A.
Hongkong Bank
Hang Seng Bank
Mizuho Corporate Bank, Ltd.
The Bank of East Asia, Ltd.

Websites
http://www.texwinca.com/
http://www.baleno.com.hk/
http://www.irasia.com/listco/hk/texwinca/

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 30 September 2005. The interim results for the six months ended 30 September 2005 have been reviewed by the Company's audit committee.

Condensed Consolidated Income Statement

		Six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited and restated)
	Notes	*HK$'000*	*HK$'000*
TURNOVER	*4*	**3,751,305**	3,600,250
Cost of sales		**(2,613,560)**	(2,588,114)
Gross profit		**1,137,745**	1,012,136
Other revenue and gains	*5*	**39,891**	18,458
Selling and distribution costs		**(707,953)**	(569,067)
Administrative expenses		**(251,221)**	(216,200)
Other operating expenses, net		**3,390**	2,941
PROFIT FROM OPERATING ACTIVITIES		**221,852**	248,268
Share of profit of an associate		**24,550**	16,519
Finance costs		**(9,679)**	(3,760)
PROFIT BEFORE TAX		**236,723**	261,027
Tax	*7*	**(32,698)**	(23,848)
PROFIT FOR THE PERIOD		**204,025**	237,179
ATTRIBUTABLE TO:			
Equity holders of the Company		**250,142**	234,254
Minority interests		**(46,117)**	2,925
		204,025	237,179

Condensed Consolidated Income Statement *(continued)*

	Notes	Six months ended 30 September **2005** **(Unaudited)** *HK$'000*	2004 (Unaudited and restated) *HK$'000*
Proposed interim dividend		**145,886**	132,588
Proposed interim dividend per share (HK cents)		**11.0**	10.0
Earnings per share (HK cents)	*8*		
Basic		**18.9**	17.7
Diluted		**18.8**	17.5

Condensed Consolidated Balance Sheet

	Notes	At 30 September 2005 (Unaudited) *HK$'000*	At 31 March 2005 (Restated) *HK$'000*
NON-CURRENT ASSETS			
Fixed assets	*9*	**1,910,778**	1,919,700
Investment properties		**52,850**	52,850
Construction in progress		**92,449**	19,589
Prepaid land lease payments		**3,221**	3,288
Trademarks		**33,189**	33,119
Interest in an associate		**149,098**	139,548
Long term rental deposits		**93,294**	115,323
Deferred rental expenses		**10,802**	—
Long term time deposits		**—**	15,600
		2,345,681	2,299,017
CURRENT ASSETS			
Inventories		**1,076,644**	1,055,106
Trade and bills receivable	*10*	**847,060**	424,015
Prepayments, deposits and other receivables		**370,233**	342,440
Derivative financial instruments		**49,747**	16,395
Cash and cash equivalents		**663,457**	681,590
		3,007,141	2,519,546
CURRENT LIABILITIES			
Due to an associate		**104,744**	55,536
Trade and bills payable	*11*	**1,018,786**	875,323
Other payables and accrued liabilities		**192,560**	207,125
Tax payable		**132,617**	116,574
Dividend payable		**145,881**	—
Long term bank loan — current portion		**164,722**	418,684
Bank advances under discounted bills		**286,190**	—
Bank overdrafts		**522**	—
Short term shareholder loan	*15(c)*	**3,617**	—
		2,049,639	1,673,242

Condensed Consolidated Balance Sheet *(continued)*

	Notes	At 30 September 2005 (Unaudited) HK$'000	At 31 March 2005 (Restated) HK$'000
NET CURRENT ASSETS		**957,502**	846,304
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,303,183**	3,145,321
NON-CURRENT LIABILITIES			
Long term bank loan — non-current portion		**189,167**	135,278
Long term shareholder loan	*15(c)*	**266,376**	266,376
Provision for long service payments	*12(b)*	**8,207**	8,111
Deferred tax		**6,411**	3,059
		470,161	412,824
		2,833,022	2,732,497
CAPITAL AND RESERVES			
Equity attributable to equity holders of the Company			
Issued capital		**66,312**	66,305
Reserves		**2,563,833**	2,416,813
Proposed interim/final dividend		**145,886**	145,881
		2,776,031	2,628,999
Minority Interests		**56,991**	103,498
		2,833,022	2,732,497

Condensed Consolidated Statement of Changes in Equity

	Issued capital	Share premium account	Capital redemption reserve	Share option reserve	Contributed surplus	Goodwill on acquisition	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Proposed dividend	Minority interests	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2005												
As previously reported	66,305	343,272	1,587	—	3,986	(110,603)	(14,007)	16,800	2,177,664	145,881	103,498	2,734,383
Prior period adjustments *(notes 2 & 3)*:												
HKFRS 2												
Employee share option scheme	—	—	—	5,369	—	—	—	—	(5,369)	—	—	—
HK(SIC) — Int 21												
Deferred tax arising from revaluation of investment properties	—	—	—	—	—	—	—	(1,886)	—	—	—	(1,886)
As restated, before opening adjustments	66,305	343,272	1,587	5,369	3,986	(110,603)	(14,007)	14,914	2,172,295	145,881	103,498	2,732,497
Opening adjustments:												
HKAS 39 in respect of derivative financial instruments	—	—	—	—	—	—	—	—	14,906	—	—	14,906
HKAS 40 in respect of Investment properties	—	—	—	—	—	—	—	(1,421)	1,421	—	—	—
HKFRS 3 in respect of negative goodwill	—	—	—	—	—	(45)	—	—	45	—	—	—
As restated, after opening adjustments	66,305	343,272	1,587	5,369	3,986	(110,648)	(14,007)	13,493	2,188,667	145,881	103,498	2,747,403
Foreign exchange adjustments	—	—	—	—	—	—	24,854	—	—	—	(390)	24,464
Exercise of share options	7	639	—	—	—	—	—	—	—	—	—	646
Net profit for the period	—	—	—	—	—	—	—	—	250,142	—	(46,117)	204,025
Employee share option scheme	—	—	—	2,365	—	—	—	—	—	—	—	2,365
Final 2004/2005 dividend	—	—	—	—	—	—	—	—	—	(145,881)	—	(145,881)
Proposed 2005/2006 interim dividend	—	—	—	—	—	—	—	—	(145,886)	145,886	—	—
At 30 September 2005	66,312	343,911	1,587	7,734	3,986	(110,648)	10,847	13,493	2,292,923	145,886	56,991	2,833,022

Condensed Consolidated Statement of Changes in Equity

(continued)

	Issued capital	Share premium account	Capital redemption reserve	Share option reserve	Contributed surplus	Goodwill on acquisition	Exchange fluctuation reserve	Asset revaluation reserve	Retained profits	Proposed dividend	Minority interests	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited and restated)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2004												
As previously reported	66,239	336,728	1,587	—	3,986	(110,603)	(13,238)	16,800	1,987,912	159,047	82,766	2,531,224
Prior period adjustments:												
HKFRS 2												
Employee share option scheme	—	—	—	93	—	—	—	—	(93)	—	—	—
HK(SIC) — Int 21												
Deferred tax arising from revaluation of investment properties	—	—	—	—	—	—	—	(1,568)	—	—	—	(1,568)
As restated	66,239	336,728	1,587	93	3,986	(110,603)	(13,238)	15,232	1,987,819	159,047	82,766	2,529,656
Foreign exchange adjustments	—	—	—	—	—	—	(38)	—	—	—	(190)	(228)
Share option scheme (restated)				2,628	—	—	—	—	—	—	—	2,628
Exercise of share options	40	3,916	—	—	—	—	—	—	—	—	—	3,956
Net profit for the period (restated)	—	—	—	—	—	—	—	—	234,254	—	2,925	237,179
Final 2003/2004 dividend	—	—	—	—	—	—	—	—	—	(159,047)	—	(159,047)
Proposed 2004/2005 interim dividend	—	—	—	—	—	—	—	—	(132,588)	132,588	—	—
At 30 September 2004	66,279	340,644	1,587	2,721	3,986	(110,603)	(13,276)	15,232	2,089,485	132,588	85,501	2,614,144

Condensed Consolidated Cash Flow Statement

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
NET CASH INFLOW FROM OPERATING ACTIVITIES	**284,750**	528,438
NET CASH USED IN INVESTING ACTIVITIES	**(119,837)**	(416,287)
NET CASH USED IN FINANCING ACTIVITIES	**(156,525)**	(27,617)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**8,388**	84,534
Cash and cash equivalents at 1 April	**660,530**	633,355
Foreign exchange adjustments	**(5,983)**	1,739
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	**662,935**	719,628
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**149,911**	215,205
Non-pledged time deposits with original maturity within three months when acquired	**513,546**	504,423
Bank overdrafts	**(522)**	—
	662,935	719,628

Notes to the Condensed Consolidated Financial Statements

1. Basis of preparation

The unaudited condensed interim financial statements are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

2. Principal accounting policies

The accounting policies and basis of preparation adopted in the preparation of the unaudited interim financial statements are the same as those used in the annual financial statements for the year ended 31 March 2005, except in relation to the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs", which also include HKASs and Interpretations) that affect the Group and are adopted for the first time for the current period's financial statements:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 26	Accounting and Reporting by Retirement Benefit Plans
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share

HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 (Amendment)	Transition and Initial Recognition of Financial Assets and Financial Liabilities
HKAS 40	Investment Property
HKFRS 2	Share-based Payment
HKFRS 3	Business Combinations
HK(SIC)-Int 15	Operating Leases — Incentives
HK(SIC)-Int 21	Income Taxes — Recovery of Revalued Non-depreciable Assets
HK-Int 4	Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases

The adoption of HKASs 1, 2, 7, 8, 10, 12, 14, 16, 18, 19, 21, 23, 24, 26, 27, 28, 33, 37, 40, HK-Int 4 and HK(SIC)-Int 15 has had no material impact on the accounting policies of the Group and the methods of computation in the Group's condensed consolidated financial statements. The impact of adopting the other HKFRSs is summarised as follows:

(a) *HKAS 1 — Presentation of Financial Statements*

The adoption of HKAS 1 has affected the presentation of financial statements, in particular, disclosures of minority interests and share of after-tax results of an associate have been changed.

Minority interests are presented in the consolidated balance sheet within equity and minority interests in the consolidated income statement are presented as an allocation of the total result for the period between the minority interests and the equity holders of the Company.

The share of profit of an associate is presented after netting off taxation in the consolidated income statement.

The respective comparative figures of minority interests and share of profit of an associate have been reclassified to conform with the current period presentation.

2. Principal accounting policies *(continued)*

(b) *HKAS 17 — Leases*

In prior periods, leasehold land and buildings held for own use were stated at cost less accumulated depreciation and any impairment losses.

Upon the adoption of HKAS 17, the Group's leasehold interest in land and buildings is separated into leasehold land and leasehold buildings. Certain of the Group's leasehold land is classified as an operating lease, because the title of the land is not expected to pass to the Group by the end of the lease term, and is reclassified from fixed assets to prepaid land lease payments, while leasehold buildings continue to be classified as part of property, plant and equipment. Prepaid land lease payments under operating leases are initially stated at cost and subsequently amortised on the straight-line basis over the lease term. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease payments are included in the cost of the land and buildings as a finance lease in property, plant and equipment.

This change in accounting policy has had no effect on the condensed consolidated income statement and retained earnings. The comparatives on the condensed consolidated balance sheet as at 31 March 2005 have been reclassified to reflect the reclassification of leasehold land.

(c) *HKAS 32 and HKAS 39 — Financial Instruments*

Derivative financial instruments

The Group uses derivatives financial instruments to hedge its risks associated with foreign currency or interest rate fluctuations. In prior periods, certain of these contracts did not qualify for hedge and the unrealised gain/loss of these contracts, as reference to their fair values, was recognised at the balance sheet date and the change in fair values was accounted for in the income statement for the period of change. The other hedging instruments were recognised on a cash basis.

Upon the adoption of HKAS 39, unless the derivative financial instruments qualify for the strict definitions of and are designated as effective cash flow hedge, the derivative financial instruments are accounted for as held-for-trading financial instruments which are carried at fair value at each balance sheet date. The change in fair value is recorded in the income statement.

For effective cash flow hedge, gain or loss arising from the effective hedging portion is recognised directly in equity, while gain or loss arising from the ineffective hedging portion or when the hedging relation discontinues is recognised in the income statement. When a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised directly in equity are reclassified into the profit or loss in the same period or periods during which the assets acquired or liabilities assumed affect profit or loss.

If a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, then the Group removes the associated gains and losses that were recognised directly in equity, and includes them in the initial cost or other carrying amount of the asset or liability.

For other cash flow hedges, amounts that had been recognised directly in equity shall be recognised in the income statement in the same period or periods during which the hedged forecast transaction affects profit or loss.

Cash flow hedge accounting shall be discontinued prospectively if the hedging instrument is sold, terminated or exercised or the hedge no longer meets the criteria for hedge accounting. The cumulative gain or loss on the hedging instrument remains separately recognised in equity until the forecast transaction occurs or is no longer expected to occur. Gain or loss subsequent to the discontinuance is recognised directly to the income statement.

If the forecast transaction is no longer expected to occur, in which case any related cumulative gain or loss on the hedging instrument that remains recognised directly in equity from the period when the hedge was effective is recognised immediately in the income statement. If the entity revokes the designation for a hedge of a forecast transaction, the cumulative gain or loss on hedging instrument that remains recognised in equity from the period when the hedge was effective remains separately recognised in equity until the forecast transaction occurs or is no longer expected to occur. When the transaction occurs, the cumulative gain is accounted for in accordance with the guidance given above depending on whether or not the forecast transaction results in the recognition of an asset or liability.

The effects of the above changes are summarised in note 3 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated.

2. Principal accounting policies *(continued)*

(c) ***HKAS 32 and HKAS 39 — Financial Instruments*** *(continued)*

Discounted bills with recourse

The Group's discounted bills with recourse, which were previously treated as contingent liabilities, have been accounted for as collateralized bank advances prospectively on or after 1 April 2005, as the financial asset derecognition conditions as stipulated in HKAS 39 have not been fulfilled.

As at 30 September 2005, the Group had outstanding bills discounted with full recourse. Pursuant to HKAS 39, the discounted bills receivable and the related proceeds of the same amount are included in the Group's "Trade and bills receivable" and "Bank advances under discounted bills" as at 30 September 2005.

In accordance with the transitional provisions of HKAS 39, comparative amounts have not been restated and included in contingent liabilities as set out in note 12(a) to the condensed consolidated financial statements.

(d) ***HKAS 38 — Intangible Assets***

In prior periods, trademarks were stated at cost less accumulated amortisation and any impairment losses. Amortisation was calculated on a straight-line basis to write off the cost of each trademark over its estimated useful life of 20 years.

Upon the adoption of the HKAS 38, the intangible assets with indefinite lives, are not subject to amortisation but are tested for impairment annually or whenever there is an indication that the intangible assets may be impaired. In accordance with the transitional provisions in HKAS 38, the Group reassessed the useful lives of its existing trademarks and concluded that they have indefinite useful lives and are not allowed for amortisation. The change is accounted for as a change in the accounting estimates. Thus, the Group discontinued amortising the trademarks from 1 April 2005 prospectively. Comparative amounts have not been restated in accordance with the transitional provisions of the HKAS 38.

The effects of the above changes are summarised in note 3 to the condensed consolidated financial statements.

(e) *HKAS 40 — Investment Property*

In prior periods, changes in the fair values of investment properties were dealt with as movements in the investment property revaluation reserve (which has been reclassified and grouped under asset revaluation reserve). If the total of this reserve was insufficient to cover a deficit, on a portfolio basis, the excess of the deficit was charged to the income statement. Any subsequent revaluation surplus was credited to the income statement to the extent of the deficit previously charged.

Upon the adoption of HKAS 40, gains or losses arising from changes in the fair values of investment properties are included in the income statement in the year in which they arise. Any gains or losses on the retirement or disposal of an investment property are recognised in the income statement in the year of the retirement or disposal.

The Group has taken advantage of the transitional provisions of HKAS 40 to adjust the effect of adopting the standard to the opening balance of retained profits rather than restating the comparative amounts to reflect the changes retrospectively for the earlier period presented in the condensed consolidated financial statements. However, the revaluation reserve included in the Group's asset revaluation reserve as at 31 March 2005, amounting to HK$7,469,000 (net of deferred tax of HK$1,585,000), which is related to certain investment properties previously transferred from leasehold land and buildings in prior years and was frozen upon the transfer, is not adjusted. Rather, it remains frozen until the disposal of the related investment properties when the frozen balances will be released directly to retained profits.

The effects of the above changes are summarised in note 3 to the condensed consolidated financial statements.

(f) *HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets*

In prior periods, goodwill/negative goodwill, all of which arose on acquisitions prior to 1 January 2001, was eliminated against goodwill on acquisition reserve in the year of acquisition and was not recognised in the income statement until disposal or impairment of the acquired business.

Upon the adoption of HKFRS 3 and HKAS 36, goodwill arising on acquisitions is no longer amortised but subject to an annual impairment review (or more frequently if events or changes in circumstances indicate that the carrying value may be impaired). Any impairment loss recognised for goodwill is not reversed in a subsequent period.

2. Principal accounting policies *(continued)*

(f) ***HKFRS 3 — Business Combinations and HKAS 36 — Impairment of Assets*** *(continued)*

Any excess of the Group's interest in the net fair value of the acquirees' identifiable assets, liabilities and contingent liabilities over the cost of the acquisition of subsidiaries and associates (previously referred to as "negative goodwill"), after reassessment, is recognised immediately in the income statement.

The transitional provisions of HKFRS 3 have required the Group to derecognise at 1 April 2005 the carrying amounts of negative goodwill (including that remaining in goodwill on acquisition reserve) against retained profits. Goodwill previously eliminated against goodwill on acquisition reserve remains eliminated against the reserve and is not recognised in the income statement when all or part of the business to which the goodwill relates is disposed of or when a cash-generating unit to which the goodwill relates becomes impaired.

The effects of the above changes are summarised in note 3 to the condensed consolidated financial statements. In accordance with the transitional provisions of HKFRS 3, comparative amounts have not been restated.

(g) ***HKFRS 2 — Share-based Payment***

In prior periods, no recognition and measurement of share-based transactions in which employees (including directors) were granted share options over shares in the Company was required until such options were exercised by employees, at which time the share capital and share premium were credited with the proceeds received.

Upon the adoption of HKFRS 2, when employees (including directors) render services as consideration for equity instruments ("equity-settled transactions"), the cost of the equity-settled transactions with employees is measured by reference to the fair value at the date at which the instruments are granted. The fair value is determined by the Company using a binomial model. In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company, if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the "vesting date"). The cumulative expense recognised for equity-settled transactions at each balance sheet date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the income statement for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

The effects of adopting HKFRS 2 on the Group's share options granted to employees after 7 November 2002 but had not vested by 1 April 2005 are summarised in note 3 to the condensed consolidated financial statements. Comparative amounts have been restated in accordance with HKFRS 2.

(h) *HK(SIC)-Int 21 — Income Taxes — Recovery of Revalued Non-depreciable Assets*

In prior periods, deferred tax arising on the revaluation of investment properties was recognised based on the tax rate that would be applicable upon the sale of the investment properties.

Upon the adoption of HK(SIC)-Int 21, deferred tax arising on the revaluation of the Group's investment properties is determined depending on whether the properties will be recovered through use or through sale. The Group has determined that its investment properties will be recovered through use, and accordingly the profits tax rate has been applied to the calculation of deferred tax.

The effects of the above changes resulted in an increase in the deferred tax liabilities as at 31 March 2004 and 31 March 2005 by HK$1,568,000 and HK$1,886,000 respectively, the effect of above during the periods are summarised in note 3 to the condensed consolidated financial statements. The change has been adopted retrospectively from the earliest period presented and comparative amounts have been restated.

3. Summary of the impact of changes in accounting policies

Following the adoption of the HKFRSs, the opening balances of the following accounts were adjusted retrospectively. The details of the prior period adjustments and opening adjustments are summarised as follows:

(a) *Effect on opening balance of total equity at 1 April 2005*

Effect of new policies (Increase/(decrease))	Notes	**Share option reserve (Unaudited)** *HK$'000*	**Asset revaluation reserve (Unaudited)** *HK$'000*	**Goodwill on acquisition (Unaudited)** *HK$'000*	**Retained profits (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Prior period adjustments:						
HKFRS 2						
— Employee share option scheme	*2(g)*	**5,369**	**—**	**—**	**(5,369)**	**—**
HK(SIC) — Int 21						
— Deferred tax arising from revaluation of investment property	*2(h)*	**—**	**(1,886)**	**—**	**—**	**(1,886)**
		5,369	**(1,886)**	**—**	**(5,369)**	**(1,886)**
Opening adjustments:						
HKAS 39						
— Derivative financial instruments	*2(c)*	**—**	**—**	**—**	**14,906**	**14,906**
HKAS 40						
— Surplus on revaluation of investment properties	*2(e)*	**—**	**(1,421)**	**—**	**1,421**	**—**
HKFRS 3						
— Derecognition of negative goodwill	*2(f)*	**—**	**—**	**(45)**	**45**	**—**
Total effect at 1 April 2005		**5,369**	**(3,307)**	**(45)**	**11,003**	**13,020**

(b) *Effect on opening balance of total equity at 1 April 2004*

Effect of new policies (Increase/(decrease))	*Notes*	**Share option reserve (Unaudited)** *HK$'000*	**Asset revaluation reserve (Unaudited)** *HK$'000*	**Retained profits (Unaudited)** *HK$'000*	**Total (Unaudited)** *HK$'000*
Prior period adjustments:					
HKFRS 2					
— Employee share option scheme	*2(g)*	93	—	(93)	—
HK(SIC) — Int 21					
— Deferred tax arising from revaluation of investment property	*2(h)*	—	(1,568)	—	(1,568)
Total effect at 1 April 2004		93	(1,568)	(93)	(1,568)

3. Summary of the impact of changes in accounting policies *(continued)*

The following tables summaries the impact on profit after tax, income or expenses recognised directly in equity and capital transactions with equity holders for the six-month ended 30 September 2005 and 2004 upon the adoption of the HKFRSs. As no retrospective adjustments have been made for the adoption of HKASs 39, 40 and HKFRS 3, the amount shown for the six months ended 30 September 2004 may not be comparable to the amounts shown for the current interim period.

(c) *Effect on profit after tax for the six months ended 30 September 2005 and 2004*

		For the six months ended 30 September Profit attributable to equity holders of the Company	
Effect of new policies (Increase/(decrease))	*Notes*	**2005 (Unaudited)** *HK$'000*	2004 (Unaudited) *HK$'000*
Effect on profit after tax:			
HKAS 39			
— Derivative financial instruments	*2(c)*	**2,481**	—
HKFRS 2			
— Employee share option scheme	*2(g)*	**(2,365)**	(2,628)
HKAS 38			
— Intangible assets	*2(d)*	**1,465**	—
Total effect for the period		**1,581**	(2,628)
Effect on earnings per share (Increase/(decrease)):			
Basic		**HK 0.1 cent**	(HK0.2 cent)
Diluted		**HK 0.1 cent**	(HK0.2 cent)

(d) *Effect on income or expenses recognised directly in equity and capital transactions with equity holders for the six months ended 30 September 2005 and 2004*

Effect of new policies (Increase/(decrease))	Notes	For the six months ended 30 September Interest of equity holders of the Company 2005 (Unaudited) HK$'000	2004 (Unaudited) HK$'000
HKFRS 2			
— Employee share option scheme	2(g)	2,365	2,628

4. Segment information

Segment information is presented on a primary segment reporting basis, by business segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the production, dyeing and sale of knitted fabric and yarn segment;

(b) the casual apparel and accessory retailing and distribution segment; and

(c) the "others" segment principally comprises the provision of motor and generator repair and maintenance services, the trading of generators and the provision of franchise services.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Segment information *(continued)*

The following table presents revenue and profit information for the Group's business segments for the six months ended 30 September:

	Production, dyeing and sale of knitted fabric and yarn		Casual apparel and accessory retailing and distribution		Others		Eliminations		Consolidated	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited and restated) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited) *HK$'000*	**2005 (Unaudited) *HK$'000***	2004 (Unaudited and restated) *HK$'000*
Segment revenue:										
Sales to external customers	**2,224,786**	2,272,210	**1,501,740**	1,302,901	**24,779**	25,139	**—**	—	**3,751,305**	3,600,250
Intersegment sales	**—**	—	**—**	—	**1,126**	1,084	**(1,126)**	(1,084)	**—**	—
Other revenue	**5,810**	7,364	**12,647**	3,913	**2,060**	750	**(904)**	(606)	**19,613**	11,421
Total	**2,230,596**	2,279,574	**1,514,387**	1,306,814	**27,965**	26,973	**(2,030)**	(1,690)	**3,770,918**	3,611,671
Segment results	**278,567**	219,288	**(86,247)**	12,780	**7,550**	6,982	**1,704**	2,181	**201,574**	241,231
Interest income and other income									**20,278**	7,037
Profit from operating activities									**221,852**	248,268
Share of profit of an associate									**24,550**	16,519
Finance costs									**(9,679)**	(3,760)
Profit before tax									**236,723**	261,027
Tax									**(32,698)**	(23,848)
Profit for the period									**204,025**	237,179

5. Other revenue and gains

	Six months ended 30 September	
	2005 (Unaudited) *HK$'000*	2004 (Unaudited) *HK$'000*
Interest income	**10,466**	5,356
Gross rental income	**7,316**	2,347
Net realised and unrealised gains on derivative financial instruments	**9,812**	1,681
Sundry income	**12,297**	9,074
	39,891	18,458

6. Depreciation and amortisation

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Amortisation of prepaid land lease payments	**67**	10
Amortisation of trademarks included in cost of sales	**—**	1,463
Depreciation	**140,793**	106,095
Total depreciation and amortisation	**140,860**	107,568

No amortisation of trademarks has been provided for the current period pursuant to HKAS 38, as detailed in note 2 and note 3.

7. Tax

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 17.5%) on the estimated assessable profits arising in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Hong Kong and the People's Republic of China taxes:		
Current period provision	**32,355**	23,848
Deferred tax charge	**343**	—
Tax charge for the period	**32,698**	23,848

Share of tax attributable to an associate amounting to HK$2,918,000 (six months ended 30 September 2004: HK$1,984,000) is included in "Share of profit of an associate" on the face of the condensed consolidated income statement.

8. Earnings per share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company for the period of HK$250,142,000 (six months ended 30 September 2004: HK$234,254,000 (as restated)) and the weighted average number of 1,326,176,902 (six months ended 30 September 2004: 1,325,289,623) shares in issue during the period.

(b) *Diluted earnings per share*

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

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Profit attributable to equity holders of the Company	**250,142**	234,254
	Number of shares	Number of shares
Weighted average number of shares in issue during the period used in the calculation of basic earnings per share	**1,326,176,902**	1,325,289,623
Weighted average number of shares assumed to have been issued for no consideration on deemed exercise of all share options outstanding during the period	**6,813,936**	9,914,379
Weighted average number of shares used in the calculation of diluted earnings per share	**1,332,990,838**	1,335,204,002

9. Fixed Assets

	Six months ended 30 September 2005 (Unaudited) *HK$'000*	Year ended 31 March 2005 (Restated) *HK$'000*
Net book values:		
At 1 April 2005/1 April 2004	**1,919,700**	1,366,767
Translation difference	**19,235**	5,738
Additions	**115,596**	474,697
Transfers from construction in progress	**—**	318,383
Disposals	**(2,960)**	(9,242)
Transfers to investment properties	**—**	(4,049)
Depreciation	**(140,793)**	(232,594)
At 30 September 2005/31 March 2005	**1,910,778**	1,919,700

10. Trade and bills receivable

An aged analysis of trade and bills receivable, based on invoice date and net of provisions, is as follows:

	At 30 September 2005 (Unaudited) *HK$'000*	At 31 March 2005 (Audited) *HK$'000*
Within 90 days	**801,790**	413,541
Over 90 days	**45,270**	10,474
	847,060	424,015

The trading terms with customers are largely on credit. Invoices are normally payable within 90 days of issue, 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.

The Group discounted certain export bills of exchange amounting to HK$286,190,000 to banks with recourse in exchange for cash during the interim period ended 30 September 2005 and pursuant to HKAS 39, the discounted trade receivables and the related proceeds of the same amount were included in the Group's "Trade and bills receivable" above and "Bank advances under discounted bills" as at 30 September 2005. Comparative amount as at 31 March 2005 of HK$239,543,000 has not been restated in accordance with the transitional provision of HKAS 39 and was included in contingent liabilities as set out in note 12(a) to the condensed consolidated financial statements.

11. Trade and bills payable

An aged analysis of trade and bills payable, based on invoice date, is as follows:

	At 30 September 2005 (Unaudited) *HK$'000*	At 31 March 2005 (Audited) *HK$'000*
Within 90 days	**973,241**	827,498
Over 90 days	**45,545**	47,825
	1,018,786	875,323

12. Contingent liabilities

(a) Contingent liabilities not provided for in the interim financial statements were as follows:

	At 30 September 2005 (Unaudited) *HK$'000*	At 31 March 2005 (Audited) *HK$'000*
Export bills discounted with recourse	–	239,543
Bank guarantees given in lieu of property rental deposits	3,805	3,734
Guarantees of banking facilities granted to an associate	12,500	12,500

The Group discounted certain export bills of exchange amounting to HK$286,190,000 to banks with recourse in exchange for cash during the interim period ended 30 September 2005 and pursuant to HKAS 39, the discounted bills receivables and the related proceeds of the same amount was included in the Group's "Trade and bills receivable" and "Bank advances under discounted bills" as at 30 September 2005. Comparative amount as at 31 March 2005 of HK$239,543,000 has not been restated in accordance with the transitional provision of HKAS 39 and was included in the above contingent liabilities as set out in note 2(c) to the condensed consolidated financial statements.

(b) In respect of possible future long service payments to employees under the Hong Kong Employment Ordinance, the Group has made a provision of HK$8,207,000 (31 March 2005: HK$8,111,000) and has a further contingent liability with a maximum possible amount of HK$4,826,000 (31 March 2005: HK$3,647,000) as at 30 September 2005.

(c) There has been no significant change in the status of or the exposure to the claim that was set out in note 31(c) to the financial statements for the year ended 31 March 2005. The directors believe that possibility of adverse outcome to a material extent is not probable, thus the Group has not made any provision for loss in respect of the claim as at 30 September 2005 (31 March 2005: Nil).

13. Operating lease arrangements

(a) *As lessor*

The Group leases its investment properties under operating lease arrangements, with leases negotiated for terms ranging from two to three years. The terms of the leases generally require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 30 September 2005, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	At 30 September 2005 (Unaudited) *HK$'000*	At 31 March 2005 (Audited) *HK$'000*
Within one year	**3,545**	3,155
In the second to fifth years, inclusive	**1,748**	2,258
After five years	**—**	14
	5,293	5,427

(b) *As lessee*

The Group leases certain of its land for factories, retail stores, plant and machinery, and staff and directors' quarters under operating lease arrangements. Such leases are negotiated for terms of not more than 50 years.

13. Operating lease arrangements *(continued)*

(b) *As lessee (continued)*

At 30 September 2005, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 30 September 2005 (Unaudited) *HK$'000*	At 31 March 2005 (Audited) *HK$'000*
Within one year	**552,113**	451,792
In the second to fifth years, inclusive	**695,663**	698,222
After five years	**580,960**	495,220
	1,828,736	1,645,234

14. Commitments

Commitments for capital expenditure at the balance sheet date were as follows:

	At 30 September 2005 (Unaudited) *HK$'000*	At 31 March 2005 (Audited) *HK$'000*
In respect of fixed assets, contracted, but not provided for	**90,508**	40,373
In respect of fixed assets, authorised, but not contracted for	**332,361**	332,361
In respect of investment in subsidiaries and a jointly controlled entity, contracted but not provided for	**154,389**	312,343
	577,258	685,077

15. Related party transactions

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

		Six months ended 30 September	
		2005	2004
		(Unaudited)	(Unaudited)
	Notes	*HK$'000*	*HK$'000*
Sales to Megawell Industrial Limited ("Megawell")	*(i)*	**136,720**	150,900
Purchases from Megawell	*(ii)*	**117,060**	131,814

Notes:

(i) The sales to Megawell, the associate of the 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 were made according to the prices and terms similar to those offered to other customers of the associate.

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

(b) As at 30 September 2005, Nice Dyeing Factory Limited, a wholly-owned subsidiary of the Company, has provided advances of HK$636,429,000 (31 March 2005: HK$497,949,000) to Baleno Kingdom Limited, a non wholly-owned subsidiary, at the annual interest rate of HIBOR plus 2% (31 March 2005: HIBOR plus 2%). The advances are unsecured and have no fixed terms of repayment. The principal purpose of these advances is to finance the operations of Baleno Kingdom Limited.

(c) As at 30 September 2005, the outstanding shareholder loan principal of HK$266,376,000 (31 March 2005: HK$266,376,000) is unsecured, interest-bearing at HIBOR plus 0.4% (31 March 2005: HIBOR plus 0.4%) per annum and not repayable within one year. Total accrued interest expenses charged for the shareholder loan was HK$3,617,000 (2004: HK$1,162,000) for the period.

15. Related party transactions *(continued)*

(d) A minority shareholder of the Group's 54% owned subsidiary had provided an unconditional guarantee to indemnify the Group from any loss arising from the recoverability of prepayments for purchases made to a supplier of the Group of HK$24,155,000 (31 March 2005: HK$24,155,000) as included in the prepayments, deposits and other receivables balance of the Group as at 30 September 2005.

(e) Compensation of key management personnel of the Group

	Six months ended 30 September	
	2005	2004
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Short term employee benefits	**34,091**	30,439
Post-employment benefits	**30**	30
	34,121	30,469

Management Discussion and Analysis

Interim Dividend

The Board has declared an interim dividend of HK11.0 cents (2004 : HK10.0 cents) per share for the six months ended 30 September 2005. The interim dividend will be payable on Friday, 10 February 2006 to shareholders registered on the Register of Members at the close of business on Friday, 13 January 2006.

Closure of Register of Members

The Register of Members will be closed from Monday, 9 January 2006 to Friday, 13 January 2006 (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 not later than 4:00p.m. on Friday, 6 January 2006. Tengis Limited is located at G/F., Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong until 2 January 2006. With effect from 3 January 2006, Tengis Limited will be relocated to 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

Business Review

For this interim results ended 30 September 2005, the Group's total turnover amounted to HK$3,751 million (2004: HK$3,600 million), an increase of 4%. Profit for the period attributable to equity holders of the Company rose by 7% to HK$250 million (2004: HK$234 million). The Board has recommended an interim dividend of HK11.0 cents per share, an increase of 10% over last year's HK10.0 cents per share.

Textile business

The business had a turnover of HK$2,225 million, a slight decrease of 2% compared with last year (2004: HK$2,272 million). The amount was 59% of the Group's total turnover. Revenue decreased mainly due to the reduction of average selling prices in view of the fall of cotton prices. Stable raw material prices had provided a better operating environment for the period, improving operating profit margin to 13% from last year's 10%. The textile quota disputes had no adverse effect on the order flow. Production capacity expansion was continued with an aim to achieve a yearly growth of approximately 20%.

Retail and distribution business

Sales of this operation amounted to HK$1,502 million (2004 : HK$1,303 million), a growth of 15%, and represented 40% of the Group's total turnover. Business performance in the period was below expectation mainly due to adverse weather conditions. At the interim end, the development in different markets was as below:

	Sales			**Retail Outlets***		
	Six months ended 30 September		Growth rate	**30 September**	31 March	30 September
	2005	2004		**2005**	2005	2004
	HK$'000	*HK$'000*	*%*			
Mainland China	**961,179**	821,640	17	**3,180**	2,837	2,322
Hong Kong and Macau	**217,065**	195,890	11	**91**	85	72
Taiwan	**242,973**	222,261	9	**266**	270	241
Singapore and Malaysia	**80,523**	63,110	28	**110**	74	45
	1,501,740	1,302,901	15	**3,647**	3,266	2,680

* *Include self-owned and franchised outlets*

Garment

Turnover of our garment associate was HK$526 million (2004 : HK$418 million), a rise of 26%. Net profit contribution to the Group increased by 49% to HK$25 million (2004 : HK$17 million). During the period, about 55% of its fabric consumption was supplied by the Group's textile business and its sales to the Group's retail and distribution business accounted for about 22% of its turnover. Production capacity grew by about 15% in the period.

Financial Condition

Liquidity and financial resources

The financial position of the Group remained strong. The current ratio, the cash and cash equivalents and the total equities as at the period end were 1.5, HK$663 million and HK$2,833 million respectively. Despite of the increase in bills receivable of HK$286 million related to discounted bills at the period end following the adoption of HKAS 39, the Group continued to maintain a strong net cash inflow from operating activities of HK$285 million. The interest cover, trade and bills receivable to turnover and inventory to turnover for the period under review were 40 times, 41 days and 53 days respectively. During the interim period, the Group repaid its long-term bank loans by HK$200 million and the balance outstanding as at the period end was HK$354 million. As at 30 September 2005, the gearing ratio was 0.9. The gearing ratio refers to the total liabilities to shareholders' equities. The Group mainly financed its operation by cash inflow from its operating activities, bank borrowings and a shareholder loan. As at the period end, the unutilized banking facilities amounted to HK$1,874 million.

Capital expenditure

Total capital expenditures of the Group for the period amounted to HK$187 million, of which HK$61 million was incurred by the textile business for the expansion of its production facilities to meet the increasing demand from its customers. On the other hand, HK$126 million was mainly incurred by the retail and distribution business of the Group for the addition of retail outlets in the Mainland China.

Pledge of assets

No significant assets were pledged as at 30 September 2005.

Foreign exchange and interest rate risks

The Group continued to adopt a strict and prudence policy in managing its interest rate and currency exchange risks. The major interest bearing bank loans of the Group were HIBOR based Hong Kong dollar loans with maturity due within three years. To reduce the interest rate risks, the Group had arranged financial instruments to reduce its exposure.

During the period, the major revenue, expenses and procurements of the Group were denominated in HKD, USD, Renminbi and Yen. The Group had entered into forward contracts to reduce its currency exchange risk.

Contingent liabilities

As at 30 September 2005, the contingent liabilities of the Group amounted to HK$37 million. These mainly represented the corporate guarantee made by the Group in respect of the banking facilities of HK$13 million of its associated company, the possible long service payments of HK$5 million not provided in the accounts and the contingent liabilities of HK$16 million related to the claim of business tax against a subsidiary of the Group in Taiwan. The details of the claim has been stated in note 31(c) to the 2005 Annual Report of the Group.

Human Resources

As at 30 September 2005, the Group had about 21,100 employees in the PRC, Singapore and Malaysia. The remuneration of the employees was largely based on industry practice and the performance of individual employee.

Outlook

Cotton prices have been stable and global economic conditions have been improving. The textile export disputes have reached a temporary settlement. Looking ahead, the textile business would have a more smooth path. The Group will continue to grow capacity to capture further market share.

For the retail business, many new outlets operated last year are having mature performance. This year the Group would slow down its store expansion but enhance same store performance. Improved results are expected in the second half year.

Directors' Interests and Short Positions in Shares and Underlying Shares

At 30 September 2005, the interests of the directors in the share capital of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies ("the Model Code"), were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest				
Name of director	**Directly beneficially owned**	**Through trust interest**	**Through controlled corporations**	**Total**	**Percentage of the Company's issued capital**
Poon Bun Chak *(Note)*	29,720,000	168,800,104	505,200,000	703,720,104	53.1
Poon Kai Chak	7,802,800	—	—	7,802,800	0.6
Poon Kei Chak	21,477,200	—	—	21,477,200	1.6
Poon Kwan Chak	6,442,800	—	—	6,442,800	0.5
Ting Kit Chung	1,600,000	—	—	1,600,000	0.1
Au Son Yiu	—	—	—	—	—
Cheng Shu Wing	—	—	—	—	—
Wong Tze Kin, David	—	—	—	—	—
	67,042,800	168,800,104	505,200,000	741,042,904	55.9

Note: 168,800,104 shares are owned by Farrow Star Limited, which is wholly-owned by Perfection Inc. as trustee for The Evergreen Trust, a discretionary trust founded by Mr. Poon Bun Chak.

505,200,000 shares are owned by Giant Wizard Corporation in which Farrow Star Limited has an 87.51% equity interest. A 12.4% interest in Giant Wizard Corporation is owned by Messrs Poon Bun Chak, Poon Kei Chak and Poon Kwan Chak.

Save as disclosed above, as at 30 September 2005, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Apart from the share option scheme as explained under "Share Option Scheme" below, 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' and Other Person's Interests in Shares and Underlying Shares

As 30 September 2005, the following interests of 5% or more of the issued capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital as at 30 September 2005
Mondrian Investment Partners Ltd.	Investment manager	80,320,000	6.1

Save as disclosed above, as at 30 September 2005, the Company has not been notified by any person, other than the directors of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, who had interests or short positions in the shares or underlying shares of the Company which were required to be recorded pursuant to Section 336 of the SFO.

Purchase, Redemption or Sale of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2005.

Share Option Scheme

A share option scheme, in compliance with the requirements of Chapter 17 of the Listing Rules, was adopted by the Company on 27 August 2002 for a period of ten years, details of which have been set out in the 2005 annual report. As at 30 September 2005, the following share options were outstanding:

Name or category of participant	Date of grant of share options	Exercise price of share options *(Note (2))* HK$	Number of share options: Outstanding as at 1 April 2005	Exercised during the period *(Note (3))*	Cancelled during the period	Outstanding as at 30 September 2005	Exercise period of share options	Closing price of the Company's share immediately before the date of grant of share options *(Note (4))* HK$
Directors								
Poon Bun Chak	11 September 2002	4.97	1,000,000	–	–	1,000,000	11 September 2002 to 10 September 2012	4.80
Poon Kai Chak	11 September 2002	4.97	7,500,000	–	–	7,500,000	11 September 2002 to 10 September 2012	4.80
	26 March 2004	5.60	3,000,000	–	–	3,000,000	26 March 2004 to 25 March 2014	5.55
			10,500,000	–	–	10,500,000		
Poon Kei Chak	11 September 2002	4.97	7,500,000	–	–	7,500,000	11 September 2002 to 10 September 2012	4.80
	26 March 2004	5.60	3,000,000	–	–	3,000,000	26 March 2004 to 25 March 2014	5.55
			10,500,000	–	–	10,500,000		
Poon Kwan Chak	11 September 2002	4.97	4,000,000	–	–	4,000,000	11 September 2002 to 10 September 2012	4.80
	26 March 2004	5.60	6,000,000	–	–	6,000,000	26 March 2004 to 25 March 2014	5.55
			10,000,000	–	–	10,000,000		
Ting Kit Chung	11 September 2002	4.97	4,000,000	–	–	4,000,000	11 September 2002 to 10 September 2012	4.80
	26 March 2004	5.60	6,000,000	–	–	6,000,000	26 March 2004 to 25 March 2014	5.55
			10,000,000	–	–	10,000,000		

Other Information

Name or category of participant	Date of grant of share options	Exercise price of share options (Note (2)) HK$	Number of share options				Exercise period of share options	Closing price of the Company's share immediately before the date of grant of share options (Note (4)) HK$
			Outstanding as at 1 April 2005	Exercised during the period (Note (3))	Cancelled during the period	Outstanding as at 30 September 2005		
Au Son Yiu	11 September 2002	4.97	200,000	—		200,000	11 September 2002 to 10 September 2012	4.80
	26 March 2004	5.60	200,000	—	—	200,000	26 March 2004 to 25 March 2014	5.55
			400,000	—	—	400,000		
Cheng Shu Wing	11 September 2002	4.97	200,000	—	—	200,000	11 September 2002 to 10 September 2012	4.80
	26 March 2004	5.60	200,000	—	—	200,000	26 March 2004 to 25 March 2014	5.55
			400,000	—	—	400,000		
Wong Tze Kin, David	26 March 2004	5.60	200,000	—	—	200,000	26 March 2004 to 25 March 2014	5.55
Other employees								
In aggregate	11 September 2002	4.97	1,470,000	(130,000)	—	1,340,000	11 September 2002 to 10 September 2012	4.80
	26 March 2004	5.60	7,100,000	—	(250,000)	6,850,000	1 April 2006 to 25 March 2014	5.55
			8,570,000	(130,000)	(250,000)	8,190,000		
			51,570,000	(130,000)	(250,000)	51,190,000		

Notes:

(1) The vesting period of the share options is from the date of the grant until the commencement of the exercise period.

(2) The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

(3) The weighted average closing price of the Company's shares immediately before the dates on which the share options were exercised was HK$6.05.

(4) The closing price of the Company's share refers to the price quoted on the Stock Exchange.

Other Information

Audit Committee

The Audit Committee (the "Committee") of the Group comprises the three independent non-executive directors, Messrs. Au Son Yiu, Cheng Shu Wing and Wong Tze Kin, David. At the time of establishment, the terms of reference and duties have been laid down as a guideline for the Committee. The principal duties of the Committee include the review and supervision of the financial reporting process and internal controls of the Group.

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

Corporate Governance

In the opinion of the directors, the Company complied with the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report, except for the following deviations:

(1) Under code provision A.4.1 of the Code, non-executive directors should be appointed for a specific term and be subject to re-election.

All the existing non-executive directors of the Company are not appointed for specific term, but are subject to retirement and re-election at the Company's annual general meeting in accordance with Clause 86(1) of the By-laws of the Company.

(2) Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The Company does not have a policy of separating the roles of chairman and chief executive officer of the Board. The Board considers the current arrangement help to maintain a strong management position and at the same time improve the communication efficiency. The Board may consider the separation of the roles of chairman and chief executive officer upon the then circumstances.

(3) Under code provision E.1.2 of the Code, the chairman of the Board should attend the annual general meeting of the Company.

The chairman of the Board of the Company has delegated the duty of attending the annual general meeting to an executive director of the Company. The chairman considers the executive director a suitable person for taking up such duty because the executive director has been serving for similar duties for many years and he has good understanding of each business segment of the Group.

Model Code for Securities Transactions by Directors of Listed Issuers

The Company has adopted the Model Code of the Listing Rules as the Company's code of conduct for dealings in securities of the Company by the directors. Based on specific enquiry of the Company's directors, the directors have complied with the required standard set out in the Model Code, throughout the accounting period covered by the interim report.

Board of Directors

As at the date of announcement, the executive directors of the Company included Messrs. Poon Bun Chak, Poon Kei Chak, Poon Kwan Chak, Poon Kai Chak and Ting Kit Chung. And, the independent non-executive directors of the Company included Messrs. Au Son Yiu, Cheng Shu Wing and Wong Tze Kin, David.

By order of the Board
Poon Bun Chak
Chairman

Hong Kong, 16 December 2005


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