



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

Incorporated in the Cayman Islands with limited liability

Interim Report for the six months ended 30 September 2002

INTERIM RESULTS

The Directors are pleased to present the Group's consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity for the six months ended 30 September 2002 ("the Period"), and the consolidated balance sheet as at 30 September 2002, 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 2002

		Unaudited	
		Six months ended 30 September	
		2002	2001
	Note	HK\$'000	HK\$'000
Turnover	2	176,702	110,097
Cost of sales		<u>(80,240)</u>	<u>(37,832)</u>
Gross profit		96,462	72,265
Other revenues	2	25,866	26,090
Selling expenses		(2,034)	(1,075)
Administrative expenses		(13,914)	(20,501)
Other operating income less expenses		<u>(2,854)</u>	<u>(415)</u>
		103,526	76,364
Finance costs		<u>(10,714)</u>	<u>(22,251)</u>
Operating profit	2,3	92,812	54,113
Share of profits less losses of associated companies		<u>(636)</u>	<u>2,557</u>
Profit before taxation		92,176	56,670
Taxation	4	<u>(4,636)</u>	<u>(2,982)</u>
Profit after taxation		87,540	53,688
Minority interests		<u>(4,056)</u>	<u>(5,690)</u>
Profit attributable to shareholders		83,484	47,998
Dividends			
Prior year final dividend, paid, of HK\$0.05 (2001: Nil) per share	5a	12,984	—
Interim dividend, declared, of HK\$0.05 (2001: HK\$0.05) per share	5b	<u>12,984</u>	<u>12,984</u>
		25,968	12,984
		HK\$	HK\$
Earnings per share	6	0.32	0.18

Condensed Consolidated Balance Sheet

At 30 September 2002

	<i>Note</i>	Unaudited 30/9/2002 HK\$'000	Audited 31/3/2002 HK\$'000
Fixed assets		2,320,637	2,376,571
Associated companies		53,322	19,722
Other investments		608,827	476,292
Other receivables		—	—
Current assets			
Properties for sale		142,964	142,964
Debtors and receivables	8	42,545	50,586
Cash and bank balances		32,801	33,877
		<u>218,310</u>	<u>227,427</u>
Current liabilities			
Creditors and accruals	9	78,279	92,311
Bank loans and overdrafts	10	443,944	286,227
Tax payable		8,654	5,442
		<u>530,877</u>	<u>383,980</u>
Net current liabilities		<u>(312,567)</u>	<u>(156,553)</u>
Total assets less current liabilities		<u>2,670,219</u>	<u>2,716,032</u>
Share capital		2,596	2,596
Reserves		1,995,649	2,022,581
Retained earnings		114,842	44,342
Proposed final dividend		—	12,984
Interim dividend declared		<u>12,984</u>	—
Shareholders' funds		2,126,071	2,082,503
Minority interests		(1,928)	(5,984)
Long term bank loans	11	379,231	472,924
Other long term loans		159,221	159,221
Deferred taxation		<u>7,624</u>	<u>7,368</u>
Funds employed		<u>2,670,219</u>	<u>2,716,032</u>

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2002

	Unaudited	
	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Net cash from operating activities	64,877	38,694
Net cash (used in)/from investing activities	(129,093)	28,825
Net cash from/(used in) financing activities	<u>62,850</u>	<u>(89,691)</u>
Decrease in cash and cash equivalents	(1,366)	(22,172)
Cash and cash equivalents at 1 April	<u>3,614</u>	<u>21,176</u>
Cash and cash equivalents at 30 September	<u><u>2,248</u></u>	<u><u>(996)</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	32,801	25,569
Bank overdrafts and loans repayable within 3 months from date of advance	<u>(30,553)</u>	<u>(26,565)</u>
	<u><u>2,248</u></u>	<u><u>(996)</u></u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2002

Unaudited, six months ended 30 September 2002								
	Share Capital	Contributed surplus	Land and buildings revaluation reserve	Investment properties revaluation reserve	Investment revaluation reserve	Exchange fluctuation account	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2002	2,596	857,373	197,477	610,549	370,280	(13,098)	57,326	2,082,503
Net gains not recognised in the profit and loss account								
– exchange difference arising from translation of accounts	—	—	—	—	—	1,307	—	1,307
Profit for the period	—	—	—	—	—	—	83,484	83,484
Prior year final dividend paid	—	—	—	—	—	—	(12,984)	(12,984)
Reserve realised on disposal of investment properties by								
– Subsidiaries	—	—	—	(27,817)	—	—	—	(27,817)
– Associated companies	—	—	—	(422)	—	—	—	(422)
At 30 September 2002	<u>2,596</u>	<u>857,373</u>	<u>197,477</u>	<u>582,310</u>	<u>370,280</u>	<u>(11,791)</u>	<u>127,826</u>	<u>2,126,071</u>

Unaudited, six months ended 30 September 2001								
	Share Capital	Contributed surplus	Land and buildings revaluation reserve	Investment properties revaluation reserve	Investment revaluation reserve	Exchange fluctuation account	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2001	2,596	857,373	44,656	973,869	423,302	(12,126)	(21,412)	2,268,258
Net gains not recognised in the profit and loss account								
– exchange difference arising from translation of accounts	—	—	—	—	—	1,201	—	1,201
Profit for the period	—	—	—	—	—	—	47,998	47,998
Realisation of exchange loss on disposal of an associated company	—	—	—	—	—	15	—	15
Reserve realised on disposal of investment properties by								
– Subsidiaries	—	—	—	(1,505)	—	—	—	(1,505)
– Associated companies	—	—	—	(5,254)	—	—	—	(5,254)
Reserve realised on disposal of investments by associated companies	—	—	—	—	(6,233)	—	—	(6,233)
At 30 September 2001	<u>2,596</u>	<u>857,373</u>	<u>44,656</u>	<u>967,110</u>	<u>417,069</u>	<u>(10,910)</u>	<u>26,586</u>	<u>2,304,480</u>

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 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 2002.

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 2002, except that the Group has adopted the following new or revised SSAPs which became effective for accounting periods commencing on or after 1 January 2002:

SSAP 1 (revised):	Presentation of financial statements
SSAP 11 (revised):	Foreign currency translation
SSAP 15 (revised):	Cash flow statements
SSAP 33:	Discontinuing operations
SSAP 34:	Employee benefits

The adoption of these new or revised standards in the Group’s accounting policies has no material effect on the Group’s accounts.

Prior to 1 April 2002, the Group recognized the gain on disposal of investment property, being the difference between the revenue and the carrying cost of the investment property, as a single item under other revenues in the profit and loss account. The relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve and included as part of the gain on disposal of the investment property.

Commencing 1 April 2002, the Group has adopted a new accounting policy to recognize the revenue from disposal of investment property as turnover and the carrying cost of the investment property as cost of sales in the profit and loss account. The relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment properties revaluation reserve and netted off against the cost of sales of the corresponding investment property. Such change in recognition policy does not have any impact on the Group’s net profit throughout the periods presented.

Comparative figures have been reclassified to conform with the current period’s presentation.

2. Turnover, revenue and segment information

The Group is principally engaged in property investment and development and management, warehousing and investment holding.

Revenues recognised during the Period are as follows:

	Six months ended 30 September	
	2002 HK\$’000	2001 HK\$’000
Turnover		
Sale of investment properties	74,258	4,218
Rental and property management	89,553	93,921
Warehousing	12,891	11,958
	<u>176,702</u>	<u>110,097</u>
Other revenues		
Dividend income from other investments	24,083	24,078
Interest income	1,505	200
Others	278	1,812
	<u>25,866</u>	<u>26,090</u>
	<u>202,568</u>	<u>136,187</u>

Notes to the Interim Accounts

2. Turnover, revenue and segment information (continued)

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

Six months ended 30 September 2002						
	<u>Sale of properties</u>	<u>Rental and property management</u>	<u>Warehousing</u>	<u>Investment</u>	<u>Elimination</u>	<u>Group</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External	74,258	89,553	12,891	—	—	176,702
Inter-segment	—	467	—	—	(467)	—
	<u>74,258</u>	<u>90,020</u>	<u>12,891</u>	<u>—</u>	<u>(467)</u>	<u>176,702</u>
Segment results	<u>26,970</u>	<u>60,950</u>	<u>(3,070)</u>	<u>24,013</u>	<u>—</u>	<u>108,863</u>
Unallocated income less expenses						(8,062)
Gain on disposal of an associated company						<u>1,220</u>
Operating profit before interest						<u>102,021</u>
Interest income less finance costs						<u>(9,209)</u>
Operating profit						<u>92,812</u>
Share of profits less losses of associated companies	—	(636)	—	—	—	<u>(636)</u>
Profit before taxation						<u>92,176</u>
Taxation						<u>(4,636)</u>
Profit after taxation						<u>87,540</u>
Minority interests						<u>(4,056)</u>
Profit attributable to shareholders						<u>83,484</u>
Six months ended 30 September 2001						
	<u>Sale of properties</u>	<u>Rental and property management</u>	<u>Warehousing</u>	<u>Investment</u>	<u>Elimination</u>	<u>Group</u>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External	4,218	93,921	11,958	—	—	110,097
Inter-segment	—	1,048	—	—	(1,048)	—
	<u>4,218</u>	<u>94,969</u>	<u>11,958</u>	<u>—</u>	<u>(1,048)</u>	<u>110,097</u>
Segment results	<u>1,449</u>	<u>64,691</u>	<u>678</u>	<u>24,130</u>	<u>—</u>	<u>90,948</u>
Unallocated income less expenses						(14,599)
Loss on disposal of an associated company						<u>(185)</u>
Operating profit before interest						<u>76,164</u>
Interest income less finance costs						<u>(22,051)</u>
Operating profit						<u>54,113</u>
Share of profits less losses of associated companies	—	8,127	(1,024)	(4,546)	—	<u>2,557</u>
Profit before taxation						<u>56,670</u>
Taxation						<u>(2,982)</u>
Profit after taxation						<u>53,688</u>
Minority interests						<u>(5,690)</u>
Profit attributable to shareholders						<u>47,998</u>

2. Turnover, revenue and segment information (continued)

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

	Six months ended 30 September			
	Turnover		Operating profit	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Hong Kong	169,843	107,540	86,934	65,937
Singapore	1,999	1,786	25,121	25,213
Mainland China	4,860	771	(3,192)	(237)
USA	—	—	—	35
	176,702	110,097	108,863	90,948
Unallocated income less expenses			(8,062)	(14,599)
Gain/(loss) on disposal of associated companies			1,220	(185)
Operating profit before interest			102,021	76,164
Interest income less finance costs			(9,209)	(22,051)
Operating profit			92,812	54,113

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
Crediting:		
Gross rental income from investment properties	84,979	88,697
Gross rental income from property held for development	4,139	4,937
Profit on disposal of other fixed assets	—	6
Gain on disposal of an associated company	1,220	—
Exchange gain	—	156
Charging:		
Depreciation of fixed assets	2,699	1,923
Staff costs excluding retirement benefit costs	13,204	11,916
Outgoings in respect of investment properties	21,614	26,305
Outgoings in respect of property held for development	3,178	3,540
Operating leases – land and buildings	3,636	3,722
Loss on disposal of other fixed assets	1,866	—
Loss on disposal of an associated company	—	185
Retirement benefit costs	357	289
Retirement gratuities paid	—	7,500
Auditors' remuneration	320	335
Exchange loss	23	—

Notes to the Interim Accounts

4. Taxation

Hong Kong profits tax has been provided at the rate of 16 % (2001: 16%) on the estimated assessable profits for the Period. Overseas taxation has been provided on the estimated assessable profits prevailing in the countries in which the subsidiaries and associated companies operate.

	Six months ended 30 September	
	2002 HK\$'000	2001 HK\$'000
The Company and its subsidiaries:		
Hong Kong profits tax	4,131	1,390
Overseas taxation	249	40
Deferred taxation	<u>256</u>	<u>255</u>
	<u>4,636</u>	<u>1,685</u>
Associated companies:		
Hong Kong profits tax	—	1
Overseas taxation	<u>—</u>	<u>1,296</u>
	<u>—</u>	<u>1,297</u>
	<u>4,636</u>	<u>2,982</u>
Deferred tax charge for the Period has not been accounted for in respect of:		
Tax losses	<u>1,660</u>	<u>216</u>

5. Dividends

- (a) At a meeting held on 11 July 2002 the Directors proposed a final dividend of HK\$0.05 per share for the year ended 31 March 2002, which was paid on 4 September 2002 and has been reflected as an appropriation of retained earnings in the Period.
- (b) At a meeting held on 19 December 2002 the Directors declared an interim dividend of HK\$0.05 per share for the year ending 31 March 2003. 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 2003.

6. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$83,484,000 (2001: HK\$47,998,000) and 259,685,288 (2001: 259,685,288) shares in issue during the Period.

Diluted earnings per share is not presented as the Company has no dilutive potential shares as at 30 September 2002 (2001: 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, were carried out in the normal course of the Group's business on terms no more favourable than terms available to independent third parties:

	Six months ended 30 September	
	2002	2001
	HK\$'000	HK\$'000
Rental and storage income received from the Winsor Industrial Corporation, Limited ("WICL") Group	1,855	2,721
Rental expenses paid to the WICL Group	876	822
Reimbursement of administrative expenses to the WICL Group	587	4,311

The Group and the WICL Group are considered to be related by virtue of the fact that certain Directors of the Company are also directors of WICL. During the Period the Group and the WICL Group have reduced the extent of sharing of administrative services, and resulted in a decrease of the reimbursement by the Group to the WICL Group.

- (b) The following transactions constituted Connected Transactions as defined under Chapter 14 of the Listing Rules by reason that Chericourt Company Limited ("Chericourt") is an 80% owned subsidiary of the Company:

As at 30 September 2002, shareholders' loans granted by the Company's wholly owned subsidiaries to Chericourt amounted to HK\$624,320,000 (31/3/2002: HK\$624,320,000). The shareholders' loans are for financing the development costs of the Regent Centre at 63-73 Wo Yi Hop Road, Kwai Chung, New Territories, Hong Kong in proportion to the Group's shareholdings in Chericourt. The shareholders' loans are unsecured, interest free and have no fixed terms of repayment.

As at 30 September 2002, loans advanced by Chericourt to wholly owned subsidiaries of the Group amounted to HK\$205,626,000 (31/3/2002: HK\$189,592,000). These loans are unsecured, have no fixed terms of repayment and interest is charged at Chericourt's cost of borrowing.

On 27th January 2000 the Company issued a guarantee to a bank to secure a term loan facility of HK\$110,000,000 granted to Chericourt. The term loan is repayable by progressive quarterly instalments within seven years, and its outstanding balance at 30 September 2002 was HK\$82,048,000 (31/3/2002: HK\$88,048,000). Each of the minority shareholders of Chericourt has provided a deed of indemnity to indemnify the Company against the guaranteed liability of Chericourt to the extent of its percentage shareholding in Chericourt.

On 30 November 2001 the Company issued a guarantee to a bank to secure a term loan facility of HK\$150,000,000 and a revolving loan facility of HK\$80,000,000 granted to Chericourt. The term loan is repayable by progressive quarterly instalments within five years, and its outstanding balance at 30 September 2002 was HK\$150,000,000 (31/3/2002: HK\$150,000,000). The outstanding balance under the revolving loan facility at 30 September 2002 was HK\$30,000,000 (31/3/2002: HK\$30,000,000).

On 13 December 2001 the Company issued a guarantee to a bank to secure a term loan facility of HK\$25,000,000 granted to Chericourt. The term loan is repayable by 8 progressive semi-annual instalments commencing in June 2003, and its outstanding balance at 30 September 2002 was HK\$25,000,000 (31/3/2002: HK\$25,000,000).

Notes to the Interim Accounts

7. Related party and connected transactions (continued)

- (c) The following transactions constituted Connected Transactions as defined under Chapter 14 of the Listing Rules by reason that USI Holdings Limited (“USI”), a company listed on the Stock Exchange, is deemed a substantial shareholder of the Company:

In a government auction held on 15 April 2002 Landyork Investment Limited (“Landyork”) acquired Sha Tin Town Lot No. 526, No. 2 Lok Kwai Path, Area 43, Sha Tin, New Territories (the “Lot”) for the purpose of a residential development (the “Project”). On 18 April 2002 the Company agreed with USI to establish a company in the name of Universal Plus Limited (“Universal”) for the sole purpose of investing in 50% of the issued share capital of Landyork. 20% of the issued share capital of Universal is held by a wholly owned subsidiary of the Company, and the other 80% by a wholly owned subsidiary of USI. The other 50% of Landyork’s issued share capital is held by Nan Fung Textiles Consolidated Limited (“Nan Fung”). The Company therefore has a 10% attributable indirect shareholding in Landyork.

The cost of the Lot is HK\$660 million and the construction costs of the Project are estimated at HK\$670 million. Completion of the Project is expected to take about 4 years. Nan Fung, USI and the Company have contributed to pay for half of the land cost by way of shareholders’ loans to Landyork in proportion to their respective attributable percentage shareholding in Landyork (the “Relevant Percentage” which is 10% in the case of the Company) and the Company’s contribution is HK\$33 million.

Landyork entered into a loan agreement on 25 June 2002 with the banks named therein and the Bank of China (Hong Kong) Limited as agent for the lenders (“Agent”) in relation to certain loan facilities (the “Facilities”) in the aggregate principal amount of HK\$1,000 million for the purposes of financing the balance of the land cost and the construction cost of the Project. As security for the Facilities, Nan Fung, USI and the Company (the “Guarantors”) have each provided a several repayment guarantee in favour of the Agent to the extent of their Relevant Percentage (10% in the case of the Company) of Landyork’s liabilities under the Facilities. The Guarantors have also entered into a completion guarantee and funding agreement in favour of the Agent undertaking firstly to procure completion or complete the Project, and secondly to provide funding for the Project upon the happening of certain events. The Guarantors’ funding and payment obligations under the said completion guarantee and funding agreement are several and limited to their respective Relevant Percentage (10% in the case of the Company).

- (d) The following transactions constituted Connected Transactions as defined under Chapter 14 of the Listing Rules by reason that Wing Tai Holdings Limited, Singapore (“Wing Tai”), a company listed on the Singapore Stock Exchange, is deemed a substantial shareholder of the Company:

On 21 June 2002, Winprop Pte. Ltd. (“Winprop”), a wholly owned subsidiary of the Company newly established in Singapore, entered into a subscription agreement with Winworth Pte Ltd, Singapore (“Winworth”) to subscribe 176,471 new ordinary shares of S\$1.00 each in Winworth at par for cash and to advance to Winworth a loan of S\$30 million (“Subscription Loan”). The new shares in Winworth represent 15% of its enlarged share capital, and the other 85% is held by Wing Tai Land Pte. Ltd., Singapore (“WTL”), a wholly owned subsidiary of Wing Tai. Upon completion of the subscription agreement on 26 June 2002, Winprop and WTL entered into a joint venture agreement to regulate, amongst other things, their relationship as shareholders of Winworth. Winprop also acquired from WTL a portion of the loan previously advanced by WTL to Winworth for a nominal consideration such that the loans owing by Winworth to Winprop and WTL respectively are in the proportion of 15% and 85%. With the exception of the Subscription Loan which bears simple normal interest at the rate of 4.0619% per annum for a period of 3 years from the date of advance and payable in a lump sum at the end thereof, the rest of the loans owing by Winworth to its shareholders are interest free. All the loans owing by Winworth to its shareholders have been subordinated to the indebtedness of Winworth to its bankers.

Interest accruing on the Subscription Loan during the six months ended 30 September 2002 amounted to HK\$1,420,000 (2001: Nil).

Winworth is the proprietor of the 99-year leasehold land parcel 566 at Draycott Drive, Singapore and the condominium housing development thereon known as “The Draycott Park”. Construction costs would be funded by Winworth’s existing banking facilities and presale proceeds, and the development is scheduled for completion in mid 2006.

8. Debtors and receivables

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

	30/9/2002 HK\$'000	31/3/2002 HK\$'000
Current – 45 days	5,891	6,752
46 – 90 days	1,861	4,450
Over 90 days	3,840	2,466
	<u>11,592</u>	<u>13,668</u>

9. Creditors and accruals

- a. Included in creditors and accruals are an amount of HK\$605,000 (31/3/2002: HK\$633,000), being shared administrative expenses payable to the WICL Group.
- b. Also included in creditors and accruals are trade creditors the ageing analysis of which is as follows:

	30/9/2002 HK\$'000	31/3/2002 HK\$'000
Current – 45 days	2,481	2,587
46 – 90 days	802	676
Over 90 days	145	257
	<u>3,428</u>	<u>3,520</u>

10. Bank loans and overdrafts

	30/9/2002 HK\$'000	31/3/2002 HK\$'000
Repayable on demand or within one year:		
Secured	352,319	186,743
Unsecured	10,553	30,000
	<u>362,872</u>	<u>216,743</u>
Current portion of long term bank loans (Note 11)	81,072	69,484
	<u>443,944</u>	<u>286,227</u>

Short term bank loans included an amount of HK\$141,319,000 (31/3/2002: HK\$8,480,000) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,682,181,000 at 30 September 2002 (31/3/2002: HK\$1,756,447,000) have been mortgaged to secure the Group's short term and long term bank loans.

Notes to the Interim Accounts

11. Long term bank loans

	30/9/2002 HK\$'000	31/3/2002 HK\$'000
Secured — wholly repayable within five years	460,303	542,408
Less: Amount repayable within one year included under current liabilities (<i>Note 10</i>)	<u>(81,072)</u>	<u>(69,484)</u>
	<u>379,231</u>	<u>472,924</u>
The long term bank loans are repayable as follows:		
Within one year	81,072	69,484
In the second year	135,078	98,484
In the third to fifth years inclusive	<u>244,153</u>	<u>374,440</u>
	<u>460,303</u>	<u>542,408</u>

The long term bank loans included an amount of HK\$35,506,000 (*31/3/2002: HK\$34,277,000*) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,682,181,000 at 30 September 2002 (*31/3/2002: HK\$1,756,447,000*) have been mortgaged to secure the Group's short term and long term bank loans.

12. Capital commitments

	30/9/2002 HK\$'000	31/3/2002 HK\$'000
Contracted but not provided for	671	521
Authorised but not contracted for	<u>—</u>	<u>—</u>
	<u>671</u>	<u>521</u>

13. Lease commitments

	30/9/2002 HK\$'000	31/3/2002 HK\$'000
At the end of the period the Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:		
Not later than one year	7,262	7,271
Later than one year and not later than five years	<u>3,220</u>	<u>5,980</u>
	<u>10,482</u>	<u>13,251</u>

14. Contingent liabilities

	30/9/2002 HK\$'000	31/3/2002 HK\$'000
Guarantees given in respect of banking facilities granted to Landyork, in proportion to the Group's attributable indirect equity interest therein	<u>100,000</u>	<u>—</u>

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

As from 1 April 2002 the Group adopted a new accounting policy to recognise the revenue from disposal of investment property as turnover. This change in recognition policy affects the presentation of the Interim Accounts but does not have any impact on the Group's net profit in the Period and prior periods. Details of the new policy are set out in the notes to the Interim Accounts and comparative figures have been reclassified to conform with the Period's presentation.

In accordance with the new accounting policy, the Group's unaudited turnover for the Period was HK\$176.7 million, an increase of 60.5% compared to HK\$110.1 million for the corresponding six months in 2001. The increase was due entirely to the increase in the sales of investment properties.

The Group's unaudited profit attributable to shareholders for the Period was HK\$83.5 million, an increase of 73.9% from HK\$48.0 million for the comparable period in 2001, benefiting from the sales of investment properties and a continuing low interest rate environment.

Out of the committed purchase by Comfort Development Ltd. of a total of 631,000 sq.ft. in Global Gateway (Hong Kong), sales of 114,000 sq.ft. were completed in the Period (2001: 7,000 sq.ft.) and generated a turnover of HK\$74.3 million (2001: HK\$4.2 million). Profit from such sales was HK\$27.0 million (2001: HK\$1.4 million). The rest of the committed purchase amounting to 58,000 sq.ft. is scheduled to be completed in full by mid February 2003.

Turnover of the rental and property management segment during the Period was HK\$90.0 million, a decline of 5.2% compared to HK\$95.0 million for the corresponding six months in 2001. Loss of rental due to the disposal of investment properties has been compensated in part by new leasing but rental pressure has been mounting. Overall this segment's results for the Period were reduced by 5.8% to HK\$61.0 million. As at 30 September 2002, total floor spaces leased out by the Group amounted to 2.16 million sq.ft.

During the Period, cargo throughput handled by the Group's warehousing operation in Hong Kong was maintained but fierce competition has squeezed storage receipt and slashed profit. The 51% owned warehousing operation in Zhangjiagang, Jiangsu maintained a small contribution. Results of the 95% owned cold storage in Shekou have improved but it reported a loss due to the disposal of obsolete machinery.

The Group's investment segment derives income mainly from its 5.14% interest in Suntec City Development Pte Ltd., Singapore ("Suntec"), the principal activities of which is property development and investment and the management and operation of the Singapore International Convention and Exhibition Centre. Suntec has maintained its dividend during the Period.

During the Period, the Group's finance costs were reduced by HK\$11.5 million.

Associated Companies

The Group's investments in associated companies have been substantially reduced in the second half of the previous financial year. During the Period, the 43% owned Varitex Company Ltd. sold its only property in Cheung Sha Wan at a loss. The 24.8% owned Suzhou World Trade Centre in Suzhou reported a moderate profit. The other associated companies did not report any activities. Overall the associated companies reported a small loss of HK\$0.6 million before tax during the Period.

Property held for development

The lease modification premium of HK\$18.5 million for changing the land use of the 95,940 sq.ft. site at 102 How Ming Street, Kwun Tong from industrial/office to office was paid in September 2002. The development plan and the timing of its implementation however have not been finalised, nor has any financial commitment been entered into. The site continues to be used as an open space car park.

Investments during the Period

The Group's investments in a 10% indirect interest in the development of Sha Tin Town Lot 526, No. 2 Lok Kwai Path, Area 43, Sha Tin, New Territories, and in a 15% interest in the development of The Draycott Park, Singapore have been reported in the last Annual Report. Details of these two investments are also set out in the notes to the Interim Accounts. Both projects are progressing as planned.

Group Structure

During the Period, the Group took up a 20% interest in Universal Plus Ltd., which in turn holds 50% interest in Landyork Investment Ltd. ("Landyork"), the developer of Sha Tin Town Lot 526. A wholly owned subsidiary, Winprop Pte. Ltd., was also incorporated in Singapore as the investment vehicle of the Group's 15% interest in the Draycott Park development. The 43% owned Varitex Company Ltd. was sold at a profit after it had sold its only property.

Employees

As at 30 September 2002 the Group employed a total of 159 employees, 41 of which were based in Mainland China. All eligible employees in Hong Kong are enrolled to a defined contribution mandatory provident fund scheme. Other benefits are awarded at the discretion of the Group.

FINANCIAL REVIEW

The Group's total bank borrowings amounted to HK\$823.2 million as at 30 September 2002, representing a net increase of HK\$64.0 million as compared to 31 March 2002 due to the financing of the investments during the Period. The loans are secured by certain investment properties and properties for sale with a total net book value of HK\$1,682.2 million. Computed as the ratio of total bank borrowings to shareholders' funds, which was HK\$2,126.1 million as at 30 September 2002, the Group's gearing was 38.7% as at that date.

The Group's total bank borrowings at 30 September 2002 comprised short term revolving loans and overdrafts of HK\$362.9 million and long term loans of HK\$460.3 million and were all on a floating rate basis with the exception of the overdraft facilities. The equivalents of short term loans of HK\$141.3 million and long-term loans of HK\$35.5 million respectively were denominated in Singapore dollar, and were borrowed in connection with the Group's assets in Singapore. As at 30 September 2002, 17.6% or HK\$81.1 million of the long-term loans will fall due within the next year. The repayment will be met from the proceeds of the remaining committed purchase of Global Gateway (Hong Kong) and funds from other operations.

The Group also carried other long term loans in the aggregate amount of HK\$159.2 million as at 30 September 2002, being unsecured interest-free loans with no fixed terms of repayment from minority shareholders of two subsidiaries. There was no change during the Period.

As security for the banking facilities to the extent of HK\$1,000 million obtained by Landyork to finance the development of Sha Tin Town Lot No. 526, the Company has provided a repayment guarantee and entered into a completion guarantee and funding agreement during the Period both in favour of the agent for the lenders. The Company's payment and funding obligations under the two security documents are several and limited to 10% of the total secured liabilities.

OUTLOOK

The recovery of Hong Kong's export trade should benefit the industrial property market in terms of a reduction in vacancy levels, but the declining trend in achievable rent is not likely to be reversed. Interest rate is not expected to show any rampant movement from its current level in the rest of the current financial year. Taking into account the profit that will be generated from the completion of the rest of the committed purchase of units in Global Gateway (Hong Kong), it is anticipated that the Group's results for the whole of the financial year ending 31 March 2003 should report a very satisfactory improvement over those for the previous year.

DIVIDEND AND CLOSE OF REGISTER

In view of the profit for the Period and the financial position of the Group, the Directors have resolved to declare an interim dividend of 5 cents per share for the year ending 31 March 2003, payable on 6 February 2003 to all shareholders on register as at 30 January 2003. The Register of Members and the Transfer Books will be closed from 27 January to 30 January 2003, 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, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Friday, 24 January 2003.

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 has adopted an employee share option scheme by resolutions of shareholders passed on 11 October 1996. Share options may be granted to employees, including executive directors, of the Company or any of its subsidiaries at the absolute discretion of the Directors and subject to such conditions as they may think fit. No share option has been granted under the said scheme since its adoption.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors at 30 September 2002 in the issued share capital of the Company and its associated corporations (within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDIO")) as recorded in the register maintained under section 29 of the SDIO were as follows: —

<u>Name of Director</u>	<u>Personal interests</u>	<u>Family interests</u>	<u>Corporate interests</u>	<u>Other interests</u> <i>(Notes 1 & 2)</i>	<u>Total</u>
The Company					
<i>Ordinary shares held:</i>					
Mr. Cheng Wai Chee, Christopher	—	27,000	—	102,779,887	102,806,887
Mr. Chow Wai Wai, John	1,874,000	—	—	—	1,874,000
Mr. Cheng Wai Sun, Edward	—	—	—	71,790,500	71,790,500
Mr. Tang Ming Chien, Manning	600,000	—	—	—	600,000
Mr. Lam Woon Bun	50,000	10,000	—	—	60,000
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000
Mr. Chow Wei Lin	—	—	189,215	—	189,215

Notes:

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

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

He has a corporate interest in 29% of the issued share capital of USI Holdings Ltd. ("USI"). Wing Tai is also interested in 21.3% of the issued share capital of USI. USI, through its wholly owned subsidiaries (Twin Dragon Investments Ltd. and Shui Hing Textiles International Ltd.), is interested in 30,989,387 ordinary shares of the Company as from 27 September 2002. Despite the legal advice obtained by him that USI's interest in the ordinary shares of the Company is not, to him, a notifiable interest, he nonetheless decided to disclose the same for transparency.

The Company has not granted any right to subscribe for equity or debt securities of the Company. Save as disclosed herein, none of the Directors had any interest in the equity or debt securities of the Company or any of its associated corporations at 30 September 2002.

SUBSTANTIAL SHAREHOLDERS

The register of substantial shareholders maintained under section 16(1) of the SDIO shows that at 30 September 2002 the Company has been notified of the following interests, being 10% or more of the issued share capital of the Company, other than those of the Directors as disclosed above:

<u>Name</u>		<u>Number of ordinary shares held</u>	<u>% interest in total issued shares</u>
Crossbrook Group Limited		71,790,500	27.65%
Wing Tai Holdings Limited	(Note 1)	71,790,500	27.65%
Mr. Chou Wen Hsien	(Note 2)	38,937,963	14.99%
Mr. Chow Chung Kai	(Note 2)	38,741,665	14.92%
Twin Dragon Investments Limited		30,898,887	11.90%
USI Holdings (B.V.I.) Limited	(Note 3)	30,989,387	11.93%
USI Holdings Limited	(Note 3)	30,989,387	11.93%

Notes:

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

APPOINTMENT OF ADDITIONAL DIRECTOR

Dr. Lo Ka Shui, JP has been appointed an independent non-executive director of the Company to take effect from 1 January 2003. Dr. Lo is the Deputy Chairman and Managing Director of Great Eagle Holdings Ltd. He is also non-executive director of a number of other listed companies and serves on various public bodies in Hong Kong.

On behalf of the Board
Cheng Wai Chee, Christopher
Chairman

Hong Kong, 19 December 2002.