



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 2003

INTERIM RESULTS

The Directors are pleased to present the Group's consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the six months ended 30 September 2003 ("the Period"), and the consolidated balance sheet as at 30 September 2003, all of which are unaudited and condensed, along with selected explanatory notes (collectively "Interim Accounts").

Condensed Consolidated Profit and Loss Account

For the six months ended 30 September 2003

		Unaudited	
		Six months ended 30 September	
			As restated
		2003	2002
	Note	HK\$'000	HK\$'000
Turnover	2	109,251	176,702
Cost of sales		<u>(46,123)</u>	<u>(80,240)</u>
Gross profit		63,128	96,462
Other revenues	2	21,358	25,866
Selling expenses		(1,558)	(2,034)
Administrative expenses		(12,415)	(13,914)
Other operating income less expenses		<u>(919)</u>	<u>(2,854)</u>
		69,594	103,526
Finance costs		<u>(8,926)</u>	<u>(10,714)</u>
Operating profit	2,3	60,668	92,812
Share of profits less losses of associated companies		<u>121</u>	<u>(636)</u>
Profit before taxation		60,789	92,176
Taxation	4	<u>(6,005)</u>	<u>(7,010)</u>
Profit after taxation		54,784	85,166
Minority interests		<u>(3,521)</u>	<u>(3,844)</u>
Profit attributable to shareholders		<u>51,263</u>	<u>81,322</u>
Dividends			
Prior year final dividend, paid, of HK\$0.05 per share (2002: HK\$0.05 per share)	5(a)	12,984	12,984
Interim dividend, declared, of HK\$0.05 per share (2002: HK\$0.05 per share)	5(b)	<u>12,984</u>	<u>12,984</u>
		<u>25,968</u>	<u>25,968</u>
		HK\$	HK\$
Earnings per share	6	<u>0.20</u>	<u>0.31</u>

Condensed Consolidated Balance Sheet

At 30 September 2003

	<i>Note</i>	Unaudited 30/9/2003 HK\$'000	As restated 31/3/2003 HK\$'000
Fixed assets		2,182,603	2,178,264
Associated companies		55,687	54,687
Other investments		610,110	607,316
Other receivables		—	—
Deferred tax assets		8,368	8,708
Current assets			
Properties for sale		124,414	136,571
Debtors and receivables	8	53,771	30,289
Cash and bank balances		33,625	42,609
		<u>211,810</u>	<u>209,469</u>
Current liabilities			
Creditors and accruals	9	55,211	58,058
Bank loans and overdrafts	10	198,373	128,438
Tax payable		7,504	5,223
		<u>261,088</u>	<u>191,719</u>
Net current (liabilities)/assets		<u>(49,278)</u>	<u>17,750</u>
Total assets less current liabilities		<u>2,807,490</u>	<u>2,866,725</u>
Share capital		2,596	2,596
Reserves		1,912,298	1,917,388
Retained earnings		170,900	129,280
Proposed final dividend		—	12,984
Interim dividend declared		<u>12,984</u>	—
Shareholders' funds		2,098,778	2,062,248
Minority interests		(21,259)	(24,933)
Long term bank loans	11	546,061	643,955
Other long term loans		152,515	155,717
Deferred tax liabilities		<u>31,395</u>	<u>29,738</u>
Funds employed		<u>2,807,490</u>	<u>2,866,725</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2003

Unaudited, six months ended 30 September 2003								
	Share Capital	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 2003, as previously reported	2,596	857,373	179,569	524,380	368,204	(12,138)	152,212	2,072,196
Change in accounting policy – provision for net deferred tax liabilities (<i>Note 1</i>)	—	—	—	—	—	—	(9,948)	(9,948)
At 1 April 2003, as restated	2,596	857,373	179,569	524,380	368,204	(12,138)	142,264	2,062,248
Net loss dealt directly in reserves								
– exchange differences arising from translation of accounts	—	—	—	—	—	(1,669)	—	(1,669)
Reserve transferred on disposal of properties for sale by subsidiaries	—	—	(3,341)	—	—	—	3,341	—
Reserve realised on disposal of investment properties by subsidiaries	—	—	—	(80)	—	—	—	(80)
Profit for the period	—	—	—	—	—	—	51,263	51,263
Prior year final dividend paid	—	—	—	—	—	—	(12,984)	(12,984)
At 30 September 2003	2,596	857,373	176,228	524,300	368,204	(13,807)	183,884	2,098,778

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, as previously reported	2,596	857,373	197,477	610,549	370,280	(13,098)	57,326	2,082,503
Change in accounting policy – provision for net deferred tax liabilities (<i>Note 1</i>)	—	—	—	—	—	—	(4,906)	(4,906)
At 1 April 2002, as restated	2,596	857,373	197,477	610,549	370,280	(13,098)	52,420	2,077,597
Net gain dealt directly in reserves								
– exchange differences arising from translation of accounts	—	—	—	—	—	1,307	—	1,307
Reserve realised on disposal of investment properties by								
– Subsidiaries	—	—	—	(27,817)	—	—	—	(27,817)
– Associated companies	—	—	—	(422)	—	—	—	(422)
Profit for the period	—	—	—	—	—	—	81,322	81,322
Prior year final dividend paid	—	—	—	—	—	—	(12,984)	(12,984)
At 30 September 2002	2,596	857,373	197,477	582,310	370,280	(11,791)	120,758	2,119,003

Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2003

	Unaudited	
	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Net cash inflow from operating activities	26,408	53,561
Net cash inflow/(outflow) from investing activities	11,169	(104,793)
Net cash (outflow)/inflow from financing	(46,634)	49,866
Decrease in cash and cash equivalents	(9,057)	(1,366)
Cash and cash equivalents at 1 April	42,453	3,614
Cash and cash equivalents at 30 September	33,396	2,248
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	33,625	32,801
Bank overdrafts and loans repayable within 3 months from the date of advance	(229)	(30,553)
	33,396	2,248

Notes to the Interim Accounts

1. Basis of preparation and accounting policies

The Interim Accounts are prepared in accordance with Statement of Standard Accounting Practice (“SSAP”) 25 “Interim financial reporting” issued by the Hong Kong Society of Accountants (“HKSA”) and Appendix 16 of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The Interim Accounts should be read in conjunction with the annual accounts for the year ended 31 March 2003.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual accounts for the year ended 31 March 2003, except that the Group has changed its accounting policy for deferred taxation following its adoption of SSAP 12 (revised) “Income Taxes” issued by the HKSA which became effective for accounting periods commencing on or after 1 January 2003.

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

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

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

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

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

As detailed in the Condensed Consolidated Statement of Changes in Equity, opening retained earnings at 1 April 2002 and 2003 have been reduced by HK\$4,906,000 and HK\$9,948,000 respectively, which represent net deferred tax liabilities not provided prior to the respective dates under the old policy. This change has resulted in an increase in deferred tax assets and deferred tax liabilities and a decrease in minority interests at 31 March 2003 by HK\$8,708,000, HK\$21,118,000 and HK\$2,462,000, respectively. The profits attributable to shareholders for the six months ended 30 September 2002 and 2003 have been reduced by HK\$2,162,000 and HK\$1,471,000 respectively. All prior year adjustments mentioned are subject to audit.

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	
	2003	2002
	HK\$'000	HK\$'000
Turnover		
Sale of investment properties and properties for sale	12,792	74,258
Rental and property management	83,715	89,553
Warehousing	12,744	12,891
	<u>109,251</u>	<u>176,702</u>
Other revenues		
Dividend income from other investments	11,927	24,083
Recovery of debts under liquidation	4,710	—
Interest income	3,359	1,505
Others	1,362	278
	<u>21,358</u>	<u>25,866</u>
	<u>130,609</u>	<u>202,568</u>

Notes to the Interim Accounts

2. Turnover, revenue and segment information (continued)

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

Primary reporting format - business segments

	Six months ended 30 September 2003					Group HK\$'000
	Sale of properties	Rental and property management	Warehousing	Investment	Elimination	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Turnover						
External	12,792	83,715	12,744	—	—	109,251
Inter-segment	—	332	—	—	(332)	—
	<u>12,792</u>	<u>84,047</u>	<u>12,744</u>	<u>—</u>	<u>(332)</u>	<u>109,251</u>
Segment results	<u>(661)</u>	<u>59,127</u>	<u>(610)</u>	<u>16,265</u>	<u>—</u>	<u>74,121</u>
Unallocated income less expenses						<u>(7,886)</u>
Operating profit before interest						<u>66,235</u>
Interest income less finance costs						<u>(5,567)</u>
Operating profit						<u>60,668</u>
Share of profits less losses of associated companies	—	208	—	(87)		<u>121</u>
Profit before taxation						<u>60,789</u>
Taxation						<u>(6,005)</u>
Profit after taxation						<u>54,784</u>
Minority interests						<u>(3,521)</u>
Profit attributable to shareholders						<u>51,263</u>

	Six months ended 30 September 2002					Group HK\$'000
	Sale of properties	Rental and property management	Warehousing	Investment	Elimination	
	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						<u>(8,062)</u>
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>(7,010)</u>
Profit after taxation						<u>85,166</u>
Minority interests						<u>(3,844)</u>
Profit attributable to shareholders						<u>81,322</u>

2. Turnover, revenue and segment information (continued)

Secondary reporting format - geographical segments

	Six months ended 30 September			
	Turnover		Segment results	
	2003	2002	2003	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	101,830	169,843	61,353	86,934
Singapore	1,926	1,999	13,180	25,121
Mainland China	5,495	4,860	(412)	(3,192)
	109,251	176,702	74,121	108,863
Unallocated income less expenses			(7,886)	(8,062)
Gain on disposal of an associated company			—	1,220
Operating profit before interest			66,235	102,021
Interest income less finance costs			(5,567)	(9,209)
Operating profit			60,668	92,812

3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
Crediting:		
Gross rental income from investment properties	79,871	84,979
Gross rental income from property held for development	3,709	4,139
Gain on disposal of an associated company	—	1,220
Exchange gain	413	—
Charging:		
Depreciation of fixed assets	1,989	2,699
Staff costs	14,412	13,561
Outgoings in respect of investment properties	21,828	21,614
Outgoings in respect of property held for development	3,200	3,178
Operating leases – land and buildings	3,180	3,636
Loss on disposal of other fixed assets	2	1,866
Auditors' remuneration	336	320
Exchange loss	—	23

Notes to the Interim Accounts

4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profits for the Period. Overseas taxation has been provided on the estimated assessable profits at rates prevailing in the countries in which the subsidiaries and associated companies operate.

	Six months ended 30 September	
	2003	2002
	HK\$'000	HK\$'000
The Company and its subsidiaries:		
Hong Kong profits tax	3,683	4,131
Overseas taxation	325	249
Deferred taxation	<u>1,997</u>	<u>2,630</u>
	<u>6,005</u>	<u>7,010</u>
Associated companies:		
Hong Kong profits tax	—	—
Overseas taxation	<u>—</u>	<u>—</u>
	<u>—</u>	<u>—</u>
	<u>6,005</u>	<u>7,010</u>

5. Dividends

- (a) At a meeting held on 10 July 2003 the Directors proposed a final dividend of HK\$0.05 per share for the year ended 31 March 2003, which was paid on 3 September 2003 and has been reflected as an appropriation of retained earnings in the Period.
- (b) At a meeting held on 11 December 2003 the Directors declared an interim dividend of HK\$0.05 per share for the year ending 31 March 2004. This dividend declared is not reflected as a dividend payable in the Period, but will be reflected as an appropriation of retained earnings in the six months ending 31 March 2004.

6. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$51,263,000 (2002: HK\$81,322,000 as restated) and 259,685,288 (2002: 259,685,288) shares in issue during the Period.

Diluted earnings per share is not presented as the Company had no dilutive potential shares as at 30 September 2003 (2002: Nil).

7. Related party and connected transactions

- (a) The following is a summary of significant related party transactions which, in the opinion of the Directors, 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	
	2003	2002
	HK\$'000	HK\$'000
Rental and storage income received from the Winsor Industrial Corporation, Limited ("WICL") Group	1,089	1,855
Rental expenses paid to the WICL Group	570	876
Reimbursement of administrative expenses to the WICL Group	<u>288</u>	<u>587</u>

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

- (b) The following transactions constituted Connected Transactions as defined under the Listing Rules by reason that Oceanic Cotton Mill Limited ("Oceanic") and Chericourt Company Limited ("Chericourt") are 80% owned subsidiaries of the Group:

During the Period loans were advanced by Oceanic to wholly owned subsidiaries of the Group. As at 30 September 2003 loans advanced by Oceanic to wholly owned subsidiaries of the Group amounted to HK\$2,230,000 (31/3/2003: HK\$857,000). These loans are unsecured, interest free and have no fixed terms of repayment.

As at 30 September 2003, shareholders' loans granted by the Group's wholly owned subsidiaries to Chericourt amounted to HK\$624,320,000 (31/3/2003: 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.

During the Period loans totalling HK\$16,835,000 were repaid by wholly owned subsidiaries of the Group to Chericourt. As at 30 September 2003, loans advanced by Chericourt to wholly owned subsidiaries of the Group amounted to HK\$196,133,000 (31/3/2003: HK\$212,968,000). These loans are unsecured, have no fixed terms of repayment and carry interests based on the cost of funding of Chericourt, which in turn is based on Hong Kong Inter-bank Offer Rate plus a spread.

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 2003 was HK\$68,048,000 (31/3/2003: HK\$76,048,000). 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 2003 was HK\$132,000,000 (31/3/2003: HK\$144,000,000). The outstanding balance at 30 September 2003 under the revolving loan facility was HK\$55,000,000 (31/3/2003: 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 2003 was HK\$22,500,000 (31/3/2003: 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, Hong Kong (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 outstanding balance at 30 September 2003 under the Facilities was HK\$339,784,000 (31/3/2003: HK\$338,171,000). 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).

As at 30 September 2003, loans advanced by the Group to Universal amounted to HK\$34,762,000 (31/3/2003: HK\$34,305,000). These loans are unsecured, have no fixed terms of repayment and carry interests based on Hong Kong prime rate less a spread.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, non-executive Directors of the Company, are also directors of USI.

- (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 Group newly established in Singapore, entered into a subscription agreement with Winworth Investment 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.

As at 30 September 2003, the Subscription Loan advanced to Winworth amounted to HK\$131,760,000 (31/3/2003: HK\$131,760,000).

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 will be funded by Winworth’s existing banking facilities and presale proceeds, and the development is scheduled for completion in the second half year of 2005.

Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward, non-executive Directors of the Company, are both beneficiaries of a family trust, the assets of which included indirect interests in 239,277,272 shares in Wing Tai, representing 39.03% of Wing Tai’s issued share capital.

Mr. Langley, Christopher Patrick, independent non-executive Director of the Company, was appointed independent non-executive director of Wing Tai on 25 June 2003.

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:

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Current – 45 days	4,212	4,165
46 – 90 days	2,518	2,102
Over 90 days	<u>2,610</u>	<u>2,518</u>
	<u>9,340</u>	<u>8,785</u>

9. Creditors and accruals

Included in creditors and accruals are trade creditors the ageing analysis of which is as follows:

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Current – 45 days	845	2,113
46 – 90 days	574	9
Over 90 days	<u>—</u>	<u>15</u>
	<u>1,419</u>	<u>2,137</u>

10. Bank loans and overdrafts

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Repayable on demand or within one year:		
Secured	63,966	38,846
Unsecured	<u>229</u>	<u>156</u>
	64,195	39,002
Current portion of long term bank loans (<i>Note 11</i>)	<u>134,178</u>	<u>89,436</u>
	<u>198,373</u>	<u>128,438</u>

Short term bank loans included an amount of HK\$8,966,000 (*31/3/2003: HK\$8,846,000*) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,576,811,000 at 30 September 2003 (*31/3/2003: HK\$1,587,937,000*) 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

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Secured — wholly repayable within five years	680,239	733,391
Less: Amount repayable within one year included under current liabilities (<i>Note 10</i>)	<u>(134,178)</u>	<u>(89,436)</u>
	<u>546,061</u>	<u>643,955</u>
The long term bank loans are repayable as follows:		
Within one year	134,178	89,436
In the second year	119,936	142,193
In the third to fifth years inclusive	<u>426,125</u>	<u>501,762</u>
	<u>680,239</u>	<u>733,391</u>

The bank loans included an amount of HK\$171,523,000 (*31/3/2003: HK\$169,227,000*) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,576,811,000 at 30 September 2003 (*31/3/2003: HK\$1,587,937,000*) have been mortgaged to secure the Group's short term and long term bank loans.

12. Capital commitments

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Contracted but not provided for	1,161	521
Authorised but not contracted for	<u>—</u>	<u>—</u>
	<u>1,161</u>	<u>521</u>

13. Lease commitments

	30/9/2003 HK\$'000	31/3/2003 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	4,157	6,333
Later than one year and not later than five years	<u>—</u>	<u>430</u>
	<u>4,157</u>	<u>6,763</u>

14. Contingent liabilities

	30/9/2003 HK\$'000	31/3/2003 HK\$'000
Guarantees given in respect of banking facilities granted to Landyork (<i>Note 7(c)</i>) in proportion to the Group's 10% effective equity interest	<u>100,000</u>	<u>100,000</u>

15. Subsequent event

This note should be read in conjunction with note 7(c) and note 7(d) as regards the relationship between USI, Wing Tai and the Company.

At 30 September 2003 the Group held one share in Winhome Investment Pte Ltd (“Winhome”), a company incorporated in Singapore. Of the other two issued shares in Winhome, one share was held by WTL and the other share was held by a wholly-owned subsidiary of USI. Winhome was then dormant.

On 27 October 2003 the Urban Redevelopment Authority of Singapore awarded the tender for the 99-year leasehold residential land parcel 657 at Flower Road / Kovan Road (“the Land Parcel”) to Winwill Investment Pte Ltd (“Winwill”) and two independent third parties collectively at the tender sale price of S\$255 million. The Group was invited to participate in the joint venture for the development of the Land Parcel for sale (“the Project”) and it was agreed that Winhome shall be the developer of the Land Parcel.

In order to effect the joint venture, the issued share capitals of Winwill and Winhome have been restructured. All the transfers and allotments of shares were carried out on the basis of the par value of the shares which is S\$1.00 each for both companies. As at 11 December 2003, the shareholding structures of Winwill and Winhome and the effective participation proportions in the Project (“Effective Participation Proportions”) of the participating parties are as follows:

	<u>Issued shares held</u>	<u>Shareholding proportions</u>	<u>Effective Participation Proportions</u>
<u>Shareholders of Winwill</u>			
Wing Tai Land Pte. Ltd., a wholly owned subsidiary of Wing Tai	6	60%	36%
Kosheen Investments Ltd., a wholly owned subsidiary of USI	2	20%	12%
Winprop Pte. Ltd., a wholly owned subsidiary of the Company	2	20%	12%
<u>Shareholders of Winhome</u>			
Winwill	6	60%	
ChoiceHomes Investments Pte Ltd, an independent third party	3	30%	30%
Greatearth Developments Pte Ltd, an independent third party	1	10%	10%

The respective shareholders of Winwill and Winhome will enter into shareholders’ agreements to, *inter alia*, regulate their relationship as shareholders of the two companies.

The Land Parcel has a site area of about 270,000 square feet and the maximum permissible gross floor area is about 952,000 square feet. It will be developed into condominium apartments for sale and the development is planned for completion in mid 2006. 25% of the land cost amounting to S\$63.75 million has been paid and borne by the participating parties in their respective Effective Participation Proportions. Winhome is negotiating for bank financing of the Project. The Group has arranged a banking facility for its estimated total contribution towards the Project, including the S\$7.65 million already paid as its 12% contribution towards the said 25% of the land cost.

The transactions mentioned in the above constituted Connected Transactions as defined under Chapter 14 of the Listing Rules by reason that both Wing Tai and USI are deemed substantial shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

During the Period, the Group adopted SSAP 12 (revised) "Income Taxes" issued by the HKSA and changed the Group's accounting policy for deferred taxation. As a result of this change in accounting policy, the Group's unaudited profits attributable to shareholders for the Period and for the corresponding six months in 2002 have been reduced by HK\$1,471,000 and HK\$2,162,000 respectively.

The Group's total turnover for the Period was HK\$109.3 million, a decrease of 38.2% compared to HK\$176.7 million for the corresponding six months in 2002. Under the changed accounting policy, the Group's unaudited profit attributable to shareholders for the Period was HK\$51.3 million, a decrease of 37.0% compared to HK\$81.3 million restated for the corresponding period in 2002.

The decreases in both turnover and profit for the Period were due mainly to a decrease in the sale of properties. In the corresponding six months ended 30 September 2002, scheduled completion under the committed purchase of Global Gateway (Hong Kong) amounted to 114,000 sq.ft., generated a turnover of HK\$74.3 million and resulted in a pre-tax profit of HK\$27.0 million. During the Period floor spaces in Global Gateway (Hong Kong) and Regent Centre aggregating 18,000 sq.ft. were sold for HK\$12.8 million. A loss of HK\$0.7 million was reported but a sum of HK\$3.3 million was transferred directly from land and buildings revaluation reserve to retained earnings.

Segment turnover of the rental and property management segment for the Period was HK\$84.0 million, reporting a decline of 6.6% compared to HK\$90.0 million for the corresponding six months in 2002. The decline was partly due to the loss of rental associated with the disposal of properties in the corresponding period, and partly due to the overall lower rental level in the Period. Improved occupancy of the retained properties has mitigated the decline. Also benefiting from a reduction in operating costs, this segment's results for the Period was pared by only HK\$1.8 million to HK\$59.1 million. As at 30 September 2003, total floor spaces leased out by the Group amounted to 2.10 million sq.ft.

During the Period, the Group's warehousing operation as a whole maintained its storage receipts and cut its loss significantly, with the 95% owned cold storage in Shekou accounting for most of the improvement.

The Group's investment segment derives income mainly from its 5.14% interest in Suntec City Development Pte Ltd., Singapore ("Suntec"), owner of the Suntec City development and the Suntec Singapore International Convention and Exhibition Centre in Singapore. Having doubled its dividend in two previous financial years on account of cash surplus, Suntec resumed its normal dividend payout in its financial year ended 30 September 2002. The Group's dividend income from Suntec during the Period has therefore been halved to HK\$11.9 million, the corresponding amount in 2002 being HK\$24.1 million. During the Period, an amount of HK\$4.7 million was also recovered from debts under liquidation, there being no such receipt in the corresponding period.

Including the cost of interest rate hedges taking effect as from April 2003, the Group's finance costs for the Period were reduced by HK\$1.8 million to HK\$8.9 million. Interest income on loans advanced to an associated company and an investee company respectively in connection with the Group's interests in the Sha Tin Town Lot 526 and Draycott Park development projects has accrued for the whole of the Period, whereas such income only accrued for the latter months in the corresponding period. The Group's interest income for the Period was therefore HK\$3.4 million, reporting an increase of HK\$1.9 million.

Associated Companies

The Group's associated companies reported a combined profit before tax of HK\$0.1 million for the Period. The contribution was made mainly by the 24.8% owned Suzhou World Trade Centre in Suzhou. The 20% owned Universal Plus Ltd., through which the Group holds its 10% interest in the Sha Tin Town Lot 526 project, is not yet making any contribution while the project is in the course of development. The other associated companies did not report any activities.

Property held for development

The lease modification for changing the use of part of the gross floor area of the proposed development of the 95,940 sq.ft. office site at 102 How Ming Street, Kwun Tong, Hong Kong to hotel use has not yet been completed. The first set of building plans has been submitted to Government in August 2003. 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.

Project Progress

The Group has a 10% indirect interest in the Sha Tin Town Lot 526 residential development which will have a gross floor area of about 436,000 sq.ft. upon completion. The development is progressing as planned with presale to commence in the first half year of 2004.

The Group also has a 15% interest in The Draycott Park prime residential development in Singapore which will have on completion a gross floor area of about 340,000 sq.ft.. Completion of the development is scheduled for the second half year of 2005.

Group Structure

There was no change in Group structure during the Period.

Employees

As at 30 September 2003 the Group employed a total of 176 employees, 63 of whom were based in Mainland China. Most of the employees in Hong Kong are engaged in estate management. 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. Staff training is provided as and when required.

FINANCIAL REVIEW

The Group's total bank borrowings amounted to HK\$744.4 million as at 30 September 2003, representing a net decrease of HK\$28.0 million as compared to 31 March 2003. The loans are secured by certain investment properties and properties for sale with a total net book value of HK\$1,576.8 million. Computed as the ratio of total bank borrowings to shareholders' funds, which was HK\$2,098.8 million as at 30 September 2003, the Group's gearing was 35.5% as at that date.

The Group's total bank borrowings at 30 September 2003 comprised short term revolving loans and overdrafts of HK\$64.2 million and long term loans of HK\$680.2 million and were all on a floating rate basis with the exception of the overdraft facilities. The equivalents of short term loans of HK\$9.0 million and long-term loans of HK\$171.5 million respectively were denominated in Singapore dollar, and were backed up by the Group's assets in Singapore. As at 30 September 2003, 19.7% or HK\$134.2 million of the long-term loans will fall due within the next 12 months. The repayment will be met by funds generated from operations and utilization of other available banking facilities.

During the Period the Group has entered into interest rate hedge instruments for an aggregate notional principal amount of HK\$380 million, representing about 51.0% of the Group's total bank borrowings as at 30 September 2003.

The Group also carried other long terms loans aggregating HK\$152.5 million as at 30 September 2003, being unsecured interest-free loans with no fixed terms of repayment from minority shareholders of two subsidiaries. Such loans have been reduced by HK\$3.2 million during the Period.

The Group's commitments in respect of professional services in connection with the development of 102 How Ming Street amounted to HK\$1.2 million as at 30 September 2003.

Other than a repayment guarantee to the extent of HK\$100 million and a completion guarantee and funding agreement previously provided by the Group all in respect of banking facilities for the financing of the Sha Tin Town Lot No. 526 project, no new contingent liabilities have arisen during the Period.

NEW INVESTMENT

At the end of November 2003 the Group took up a 12% effective interest in the joint venture for the development of a 99-year leasehold residential land parcel at Flower Road / Kovan Road in Singapore. The other effective interests in the joint venture are held as to 36% by the Wing Tai Group in Singapore, 12% by the USI Group in Hong Kong, and 30% and 10% respectively by two other Singapore parties.

The land parcel has a site area of about 270,000 sq.ft. and the maximum permissible gross floor area is about 952,000 sq.ft. It will be developed into condominium apartments for sale and the development is planned for completion in mid 2006. The land cost is S\$255 million, 25% of which has already been paid to the Urban Redevelopment Authority of Singapore and borne by the parties participating in the joint venture in proportion to their respective effective interests. The joint venture company is negotiating for

bank financing of the development. The Group has arranged a banking facility for its estimated total contribution towards the joint venture, including the S\$7.65 million already paid as its 12% contribution towards the said 25% of the land cost.

OUTLOOK

The impact of SARS on Hong Kong has proved to be severe but short-lived. As the Hong Kong economy started to show signs of improvement, there are also indications that the industrial properties sector is bottoming out. Rental and capital values have both strengthened, warehouse properties in particular, while vacancy levels have been reduced. Finance cost should continue to be contained for some time to come. Unless there are sizable sales of properties subsequent to the date of this report, results of the rental and property management segment will be the mainstream of the Group's income and profit for the second half of the current financial year, and the results of that segment are expected to improve on the level achieved during the Period.

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 2004, payable on 5 February 2004 to all shareholders on register as at 28 January 2004. The Register of Members and the Transfer Books will be closed from 26 January to 28 January 2004, both days inclusive. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Shops 1712-16, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:00 p.m. on Wednesday, 21 January 2004.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

None of the Directors is aware of any information which would reasonably indicate that the Company is not, or was not for any part of the Period, in compliance with the Code of Best Practice as set out in Appendix 14 of the Listing Rules.

AUDIT COMMITTEE

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

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the Period. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the Period.

SHARE OPTIONS

The Company adopted a 10 year share option scheme ("the Scheme") by resolutions of shareholders passed on 11 October 1996 for the purpose of providing incentives to employees. No option has been granted by the Company under the Scheme since its adoption.

On 1 September 2001 the Stock Exchange amended Chapter 17 of the Listing Rules. As a result, granting of share options by the Company under the Scheme will not be permitted unless it is in compliance with the Listing Rules and may entail an amendment of the terms of the Scheme or the adoption of a new scheme. The Directors do not have a present plan for the granting of share options and will seek shareholders' approval of a new scheme when the need arises.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors at 30 September 2003 in the issued share capital of the Company as recorded in the register kept under section 352 of the Securities and Futures Ordinance (“SFO”) are set out below : —

Name of Director	Nature of interests and capacity in which interests are held				Total number of ordinary shares held	Percentage of issued share capital
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporation	Other interests (Notes 1 & 2)		
Mr. Cheng Wai Chee, Christopher	—	27,000	—	103,837,887	103,864,887	40.00%
Mr. Chow Wai Wai, John	2,152,000	—	—	—	2,152,000	0.83%
Mr. Cheng Wai Sun, Edward	—	—	—	71,790,500	71,790,500	27.65%
Mr. Tang Ming Chien, Manning	600,000	—	—	—	600,000	0.23%
Mr. Lam Woon Bun	50,000	10,000	—	—	60,000	0.02%
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000	0.03%
Mr. Chow Wei Lin	—	—	189,215	—	189,215	0.07%

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 in which Wing Tai Holdings Limited (“Wing Tai”) is deemed to be interested, 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 deemed to be interested in 32,047,387 ordinary shares in the Company as from 31 December 2002. Despite the legal advice obtained by him that USI’s interest in the ordinary shares in the Company is not, to him, a notifiable interest, he nonetheless decided to disclose the same for transparency.

Save as disclosed herein, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) at 30 September 2003.

SUBSTANTIAL SHAREHOLDERS

Apart from the interests of the Directors in the issued share capital of the Company as disclosed in the section “Directors’ interests in shares”, the register kept under section 336 of the SFO shows that at 30 September 2003 the Company has been notified of the following interests in the issued share capital of the Company:

Name of substantial shareholder	Nature of interests and capacity in which interests are held				Total number of ordinary shares held	Percentage of issued share capital
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporation	Other interests		
Crossbrook Group Limited	71,790,500	—	—	—	71,790,500	27.65%
Wing Tai Holdings Limited	(Note 1)	—	—	71,790,500	71,790,500	27.65%
Mr. Chou Wen Hsien	(Notes 2 & 3)	10,233,875	2,736,088	25,968,000	38,937,963	14.99%
Mrs. Chou Yim Wan Chun, Ina	(Note 3)	2,736,088	36,201,875	—	38,937,963	14.99%
Mr. Chow Chung Kai	(Notes 2 & 4)	12,764,665	9,000	25,968,000	38,741,665	14.92%
Mrs. Chow Yu Yue Chen	(Note 4)	9,000	38,732,665	—	38,741,665	14.92%
Twin Dragon Investments Limited		31,348,887	—	—	31,348,887	12.07%
USI Holdings (B.V.I.) Limited	(Note 5)	—	—	31,439,387	31,439,387	12.11%
USI Holdings Limited	(Note 5)	—	—	31,439,387	31,439,387	12.11%
Gala Land Investment Co. Limited		25,968,000	—	—	25,968,000	10.00%
Farnham Group Limited	(Note 2)	—	—	25,968,000	25,968,000	10.00%

Notes:

- (1) *Crossbrook Group Limited is a wholly-owned subsidiary of Wing Tai. Under Part XV of the SFO, Wing Tai is deemed to be interested in all the shares in the Company beneficially owned by Crossbrook Group Limited.*
- (2) *Gala Land Investment Co. Limited is a wholly-owned subsidiary of Farnham Group Limited ("Farnham"). Mr. Chou Wen Hsien and Mr. Chow Chung Kai are each entitled to exercise 50% of the voting power at general meetings of Farnham. Under Part XV of the SFO, each of Farnham, Mr. Chou Wen Hsien and Mr. Chow Chung Kai are deemed to be interested in all the shares in the Company beneficially owned by Gala Land Investment Co. Limited.*
- (3) *Under Part XV of the SFO, Mr. Chou Wen Hsien is deemed to be interested in all the shares in the Company in which Mrs. Chou Yim Wan Chun, Ina, his spouse, is interested and vice versa.*
- (4) *Under Part XV of the SFO, Mr. Chow Chung Kai is deemed to be interested in all the shares in the Company in which Mrs. Chow Yu Yue Chen, his spouse, is interested and vice versa.*
- (5) *As regards these 31,439,387 shares in the Company, 31,348,887 shares are beneficially owned by Twin Dragon Investments Limited and the remaining 90,500 shares are beneficially owned by Shui Hing Textiles International Limited. Both corporations are wholly-owned subsidiaries of USI Holdings (B.V.I.) Limited which in turn is a wholly-owned subsidiary of USI. Under Part XV of the SFO, USI Holdings (B.V.I.) Limited is deemed to be interested in all the shares in the Company beneficially owned by Twin Dragon Investments Limited and Shui Hing Textiles International Limited, and USI is deemed to be interested in all the shares in the Company in which USI Holdings (B.V.I.) Limited is interested.*

Save as disclosed herein, as at 30 September 2003 the Company had not been notified by any person of any interests or short positions in the shares or underlying shares of the Company which are notifiable to the Company under Divisions 2 and 3 of Part XV of the SFO.

On behalf of the Board
Cheng Wai Chee, Christopher
Chairman

Hong Kong, 11 December 2003.