



# 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 2004

### 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 2004 ("the Period"), and the consolidated balance sheet as at 30 September 2004, 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 2004

		Unaudited	
		Six months ended 30 September	
		2004	2003
	Note	HK\$'000	HK\$'000
<b>Turnover</b>	2	<b>349,108</b>	109,251
Cost of sales		<u>(65,882)</u>	<u>(46,123)</u>
Gross profit		<b>283,226</b>	63,128
Other revenues	2	<b>5,666</b>	21,358
Selling expenses		<b>(4,213)</b>	(1,558)
Administrative expenses		<b>(13,950)</b>	(12,415)
Other operating income less expenses		<u>273</u>	<u>(919)</u>
		<b>271,002</b>	69,594
Finance costs		<u>(7,446)</u>	<u>(8,926)</u>
<b>Operating profit</b>	2,3	<b>263,556</b>	60,668
Share of profits less losses of associated companies		<u>24</u>	<u>121</u>
<b>Profit before taxation</b>		<b>263,580</b>	60,789
Taxation	4	<u>(8,032)</u>	<u>(6,005)</u>
<b>Profit after taxation</b>		<b>255,548</b>	54,784
Minority interests		<u>(4,434)</u>	<u>(3,521)</u>
<b>Profit attributable to shareholders</b>		<b>251,114</b>	51,263
<b>Dividends</b>			
Prior year final dividend, paid, of HK\$0.07 per share (2003: HK\$0.05 per share)	5(a)	<b>18,178</b>	12,984
Interim dividend, declared, of HK\$0.07 per share (2003: HK\$0.05 per share)	5(b)	<u>18,178</u>	<u>12,984</u>
		<b>36,356</b>	25,968
		HK\$	HK\$
<b>Earnings per share</b>	6	<b>0.97</b>	0.20

**Condensed Consolidated Balance Sheet**

At 30 September 2004

		<b>Unaudited</b>	Audited
		<b>30/9/2004</b>	31/3/2004
	<i>Note</i>	<b>HK\$'000</b>	HK\$'000
<b>Fixed assets</b>		<b>2,430,403</b>	2,677,560
<b>Associated companies</b>		<b>109,521</b>	106,911
<b>Other investments</b>		<b>590,776</b>	582,155
<b>Other receivables</b>		—	—
<b>Deferred tax assets</b>		<b>5,919</b>	6,766
<b>Current assets</b>			
Properties for sale		<b>126,176</b>	126,176
Debtors and receivables	8	<b>18,457</b>	20,734
Cash and bank balances		<b>70,180</b>	126,185
		<u><b>214,813</b></u>	<u>273,095</u>
<b>Current liabilities</b>			
Creditors and accruals	9	<b>46,084</b>	50,952
Bank loans and overdrafts	10	<b>126,927</b>	170,188
Tax payable		<b>12,345</b>	3,070
		<u><b>185,356</b></u>	<u>224,210</u>
<b>Net current assets</b>		<u><b>29,457</b></u>	<u>48,885</u>
<b>Total assets less current liabilities</b>		<u><b>3,166,076</b></u>	<u>3,422,277</u>
<b>Share capital</b>		<b>2,596</b>	2,596
<b>Reserves</b>		<b>2,183,531</b>	2,393,088
<b>Retained earnings</b>		<b>433,737</b>	200,801
<b>Proposed final dividend</b>		—	18,178
<b>Interim dividend declared</b>		<u><b>18,178</b></u>	—
<b>Shareholders' funds</b>		<b>2,638,042</b>	2,614,663
<b>Minority interests</b>		<b>(6,947)</b>	(11,381)
<b>Long term bank loans</b>	11	<b>368,433</b>	645,633
<b>Other long term loans</b>		<b>142,688</b>	145,496
<b>Deferred tax liabilities</b>		<u><b>23,860</b></u>	<u>27,866</u>
<b>Funds employed</b>		<u><b>3,166,076</b></u>	<u>3,422,277</u>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2004

Unaudited	Share	Contributed	Land and	Investment	Investment	Exchange	Retained	Total
	Capital	surplus	buildings	properties	revaluation	fluctuation	earnings	
	HK\$'000	HK\$'000	revaluation	revaluation	reserve	account	HK\$'000	HK\$'000
	HK\$'000	HK\$'000	reserve	reserve	reserve	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004	2,596	857,373	603,705	590,042	359,463	(17,495)	218,979	2,614,663
Net gain not recognized in the profit and loss account – exchange differences arising from translation of accounts	—	—	—	—	—	658	—	658
Reserve realized on disposal of investment properties by subsidiaries	—	—	—	(209,361)	—	—	—	(209,361)
Reserve realized on disposal of subsidiaries	—	—	—	—	—	(854)	—	(854)
Profit for the period	—	—	—	—	—	—	251,114	251,114
Prior year final dividend paid	—	—	—	—	—	—	(18,178)	(18,178)
At 30 September 2004	<u>2,596</u>	<u>857,373</u>	<u>603,705</u>	<u>380,681</u>	<u>359,463</u>	<u>(17,691)</u>	<u>451,915</u>	<u>2,638,042</u>
At 1 April 2003	2,596	857,373	179,569	524,380	368,204	(12,138)	142,264	2,062,248
Net loss not recognized in the profit and loss account – 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 realized 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	<u>2,596</u>	<u>857,373</u>	<u>176,228</u>	<u>524,300</u>	<u>368,204</u>	<u>(13,807)</u>	<u>183,884</u>	<u>2,098,778</u>

**Condensed Consolidated Cash Flow Statement**

For the six months ended 30 September 2004

	<b>Unaudited</b>	
	<b>Six months ended 30 September</b>	
	<b>2004</b>	<b>2003</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Net cash inflow from operating activities</b>	<b>40,282</b>	26,408
<b>Net cash inflow from investing activities</b>	<b>243,963</b>	11,169
<b>Net cash outflow from financing</b>	<b>(340,369)</b>	(46,634)
<b>Decrease in cash and cash equivalents</b>	<b>(56,124)</b>	(9,057)
Cash and cash equivalents at 1 April	<b>126,185</b>	42,453
<b>Cash and cash equivalents at 30 September</b>	<b>70,061</b>	<b>33,396</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>70,180</b>	33,625
Bank overdrafts and loans repayable within 3 months from the date of advance	<b>(119)</b>	(229)
	<b>70,061</b>	<b>33,396</b>

## 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 Institute of Certified Public 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 audited accounts for the year ended 31 March 2004.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the annual audited accounts for the year ended 31 March 2004.

### 2. Turnover, revenue and segment information

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

Revenues recognized during the Period are as follows:

	Six months ended 30 September	
	2004 HK\$'000	2003 HK\$'000
Turnover		
Sale of investment properties and properties for sale	250,000	12,792
Rental and property management	85,796	83,715
Warehousing	13,312	12,744
	<u>349,108</u>	<u>109,251</u>
Other revenues		
Dividend income from other investments	—	11,927
Recovery of debts under liquidation	—	4,710
Interest income	4,064	3,359
Others	1,602	1,362
	<u>5,666</u>	<u>21,358</u>
	<u>354,774</u>	<u>130,609</u>

## Notes to the Interim Accounts

### 2. Turnover, revenue and segment information (continued)

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

#### Business segments

Six months ended 30 September 2004						
	Sale of properties	Rental and property management	Warehousing	Investment	Elimination	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover						
External	250,000	85,796	13,312	—	—	349,108
Inter-segment	—	—	—	—	—	—
	<u>250,000</u>	<u>85,796</u>	<u>13,312</u>	<u>—</u>	<u>—</u>	<u>349,108</u>
Segment results	<u>216,788</u>	<u>58,094</u>	<u>(99)</u>	<u>(283)</u>	<u>—</u>	274,500
Unallocated income less expenses						(8,435)
Gain on disposal of subsidiaries						873
Operating profit before interest						266,938
Interest income less finance costs						(3,382)
Operating profit						263,556
Share of profits less losses of associated companies	—	110	—	(86)		24
Profit before taxation						263,580
Taxation						(8,032)
Profit after taxation						255,548
Minority interests						(4,434)
Profit attributable to shareholders						<u>251,114</u>

Six months ended 30 September 2003						
	Sale of properties	Rental and property management	Warehousing	Investment	Elimination	Group
	HK\$'000	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>	74,121
Unallocated income less expenses						(7,886)
Operating profit before interest						66,235
Interest income less finance costs						(5,567)
Operating profit						60,668
Share of profits less losses of associated companies	—	208	—	(87)		121
Profit before taxation						60,789
Taxation						(6,005)
Profit after taxation						54,784
Minority interests						(3,521)
Profit attributable to shareholders						<u>51,263</u>

## 2. Turnover, revenue and segment information (continued)

### Geographical segments

	Six months ended 30 September			
	Turnover		Segment results	
	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	342,050	101,830	274,861	61,353
Singapore	1,080	1,926	558	13,180
Mainland China	5,978	5,495	(919)	(412)
	<u>349,108</u>	<u>109,251</u>	<u>274,500</u>	<u>74,121</u>
Unallocated income less expenses			(8,435)	(7,886)
Gain on disposal of subsidiaries			873	—
Operating profit before interest			266,938	66,235
Interest income less finance costs			(3,382)	(5,567)
Operating profit			<u>263,556</u>	<u>60,668</u>

## 3. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2004	2003
	HK\$'000	HK\$'000
<b>Crediting:</b>		
Gross rental income from investment properties	80,045	79,871
Gross rental income from property held for development	3,439	3,709
Gain on disposal of fixed assets	216,776	—
Gain on disposal of subsidiaries	873	—
Exchange gain	522	413
	<u>522</u>	<u>413</u>
<b>Charging:</b>		
Depreciation of fixed assets	2,709	1,989
Staff costs	15,444	14,412
Outgoings in respect of investment properties	24,041	21,828
Outgoings in respect of property held for development	3,206	3,200
Operating leases – land and buildings	2,993	3,180
Loss on disposal of fixed assets	—	2
Auditors' remuneration	345	336
	<u>345</u>	<u>336</u>

## Notes to the Interim Accounts

### 4. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2003: 17.5%) 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	
	2004	2003
	HK\$'000	HK\$'000
The amount of taxation charged to the consolidated profit and loss account represents:		
Current taxation:		
Hong Kong profits tax	(11,285)	(3,565)
Overseas taxation	(23)	(22)
Over/(under) provisions in prior years	117	(421)
Deferred taxation	<u>3,159</u>	<u>(1,997)</u>
	(8,032)	(6,005)
Share of taxation attributable to associated companies	<u>—</u>	<u>—</u>
Taxation charges	<u>(8,032)</u>	<u>(6,005)</u>

### 5. Dividends

- (a) At a meeting held on 15 July 2004 the Directors recommended a final dividend of HK\$0.07 per share for the year ended 31 March 2004, which was paid on 8 September 2004 and has been reflected as an appropriation of retained earnings in the Period.
- (b) At a meeting held on 16 December 2004 the Directors declared an interim dividend of HK\$0.07 per share for the year ending 31 March 2005. 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 2005.

### 6. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of HK\$251,114,000 (2003: HK\$51,263,000) and 259,685,288 (2003: 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 2004 (2003: Nil).



## 7. Related party and connected transactions

- (a) Transactions between the Group and the Winsor Industrial Corporation, Limited (“WICL”) Group constituted connected transactions (“Connected Transactions”) as defined under Chapter 14A of the Listing Rules by reason that WICL is an associate (within the meaning of the Listing Rules) of certain substantial shareholders of the Company. A summary of the continuing Connected Transactions between the Group and the WICL Group is set out below. In the opinion of the Directors, the transactions were carried out in the ordinary and usual course of the Group’s business on terms no less favourable to the Group than terms available to or from independent third parties. All underlying transactions are exempt under Rule 14A.33 of the Listing Rules and the summary is provided to comply with SSAP 20 “Related Party Disclosures” by reason that certain Directors of the Company are also directors of WICL.

	Six months ended 30 September	
	2004	2003
	HK\$’000	HK\$’000
Rental and storage income received from the WICL Group	960	1,089
Rental expenses paid to the WICL Group	338	570
Sharing of administrative services with the WICL Group	72	288

- (b) The following transactions constituted Connected Transactions 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 Grandville 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 Grandville Project are estimated at HK\$670 million. Completion of The Grandville Project is expected to take about 4 years. Nan Fung, USI and the Company have contributed to pay 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 Grandville 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 2004 under the Facilities was HK\$431,395,000 (31/3/2004: HK\$373,895,000). The Guarantors have also entered into a completion guarantee and funding agreement in favour of the Agent undertaking firstly to procure completion of or to complete The Grandville Project, and secondly to provide funding for The Grandville 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).

The loans advanced by the Group to Universal in proportion to the Group’s 20% equity interest therein are unsecured, have no fixed terms of repayment and carry interest at the rate of Hong Kong prime rate less 3% per annum. As at 30 September 2004, these loans amounted to HK\$36,820,000 (31/3/2004: HK\$35,493,000) and the interest receivable by the Group from Universal amounted to HK\$1,708,000 (31/3/2004: HK\$1,339,000).

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

## Notes to the Interim Accounts

### 7. Related party and connected transactions *(continued)*

- (c) The following transactions constituted Connected Transactions by reason that Wing Tai Holdings Limited, Singapore (“Wing Tai”, a company listed on the Singapore 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%.

The Subscription Loan is unsecured, has no fixed terms of repayment and 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. Irrespective of whether the Subscription Loan shall have been repaid in full or in part to Winprop during the course of the said three years, interest shall nonetheless accrue for the whole of the said three years on the full amount of the Subscription Loan. As at 30 September 2004, the balance of the Subscription Loan advanced to Winworth amounted to HK\$115,241,000 (*31/3/2004: HK\$109,371,000*) and interest receivable by Winprop from Winworth amounted to HK\$12,745,000 (*31/3/2004: HK\$9,993,000*).

The rest of the loans owing by Winworth to its shareholders are unsecured, interest free and have no fixed terms of repayment. All the loans owing by Winworth to its shareholders have been subordinated to the indebtedness of Winworth to its bankers.

Winworth is the proprietor of the 99-year leasehold land parcel 566 at Draycott Drive, Singapore and the condominium housing development thereon known as “Draycott Eight”. 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 of the year 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 279,156,817 shares (*31/3/2004: 239,277,272 shares*) in Wing Tai, representing 39.00% of Wing Tai’s issued share capital as at 30 September 2004 (*31/3/2004: 39.01%*).

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

## 7. Related party and connected transactions (continued)

- (d) The following transactions constituted Connected Transactions by reason that both Wing Tai and USI are deemed substantial shareholders of the Company:

At 31 March 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 Kovan Melody 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 30 September 2004, the respective shareholding proportions in Winwill and Winhome and the effective participation proportions in the Kovan Melody Project (“Effective Participation Proportions”) of the participating parties are as follows:

	<u>Shareholding proportions</u>	<u>Effective Participation Proportions</u>
<u>Shareholders of Winwill</u>		
WTL, a wholly owned subsidiary of Wing Tai	60%	36%
Kosheen Investments Ltd. (“Kosheen”), a wholly owned subsidiary of USI	20%	12%
Winprop, a wholly owned subsidiary of the Company	20%	12%
<u>Shareholders of Winhome</u>		
Winwill	60%	
ChoiceHomes Investments Pte Ltd, an independent third party	30%	30%
Greatearth Developments Pte Ltd, an independent third party	10%	10%

The respective shareholders of Winwill and Winhome have entered into shareholders’ agreements to, amongst other things, regulate their relationship as shareholders of the two companies.

The Land Parcel has a site area of 25,272.5 square metres and the maximum permissible gross floor area is 88,454.0 square metres. It is being developed into condominium apartments for sale and the development, known as “Kovan Melody”, is planned for completion in mid 2006.

The participating parties have in aggregate contributed S\$90,650,000 in their respective Effective Participation Proportions towards the land cost. Winhome has obtained banking facilities (“the Facilities”) to finance the remaining land cost and part of the development costs, and expects to finance the remaining costs via pre-sale proceeds. Wing Tai has provided in full on behalf of Winwill the proportionate guarantees and undertakings to be given by Winwill on a several basis under the terms of the Facilities. In consideration of Wing Tai so doing, each of Kosheen and Winprop has undertaken, should it become necessary for Wing Tai to provide cash to Winhome under the said guarantees and undertakings, to indemnify Wing Tai to the extent of 20% of Wing Tai’s obligations thereunder.

The loans advanced by Winprop to Winwill in proportion to Winprop’s 20% equity interest therein are unsecured, have no fixed terms of repayment and, except for an amount equivalent to S\$120,000 representing 12% of Winhome’s issued share capital, carry interest at the rate of 3.5% per annum. As at 30 September 2004, these loans amounted to HK\$49,957,000 (31/3/2004: HK\$49,960,000) and interest receivable by Winprop from Winwill amounted to HK\$1,443,000 (31/3/2004: HK\$550,000).

## Notes to the Interim Accounts

### 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:

	<b>30/9/2004</b>	31/3/2004
	<b>HK\$'000</b>	HK\$'000
Current – 45 days	<b>4,101</b>	4,373
46 – 90 days	<b>1,481</b>	2,417
Over 90 days	<b>1,372</b>	725
	<b><u>6,954</u></b>	<b><u>7,515</u></b>

### 9. Creditors and accruals

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

	<b>30/9/2004</b>	31/3/2004
	<b>HK\$'000</b>	HK\$'000
Current – 45 days	<b>1,381</b>	2,206
46 – 90 days	<b>442</b>	311
Over 90 days	<b>15</b>	—
	<b><u>1,838</u></b>	<b><u>2,517</u></b>

### 10. Bank loans and overdrafts

	<b>30/9/2004</b>	31/3/2004
	<b>HK\$'000</b>	HK\$'000
Repayable on demand or within one year:		
Secured	<b>35,119</b>	52,296
Unsecured	<b>—</b>	—
	<b><u>35,119</u></b>	<b><u>52,296</u></b>
Current portion of long term bank loans ( <i>Note 11</i> )	<b>91,808</b>	117,892
	<b><u>126,927</u></b>	<b><u>170,188</u></b>

At 30 September 2004, there were no short term bank loans denominated in Singapore dollar (*31/3/2004: HK\$9,296,000*). Certain investment properties and properties for sale with a total net book value of HK\$1,404,550,000 at 30 September 2004 (*31/3/2004: HK\$1,645,017,000*) have been mortgaged to secure the Group's short term and long term bank loans.

## 11. Long term bank loans

	30/9/2004 HK\$'000	31/3/2004 HK\$'000
Secured — wholly repayable within five years	460,241	763,525
Less: Amount repayable within one year included under current liabilities ( <i>Note 10</i> )	<u>(91,808)</u>	<u>(117,892)</u>
	<b>368,433</b>	<b>645,633</b>
The long term bank loans are repayable as follows:		
Within one year	91,808	117,892
In the second year	193,102	421,664
In the third to fifth years inclusive	<u>175,331</u>	<u>223,969</u>
	<b>460,241</b>	<b>763,525</b>

The long term bank loans included an amount of HK\$214,241,000 (*31/3/2004: HK\$228,397,000*) denominated in Singapore dollar. Certain investment properties and properties for sale with a total net book value of HK\$1,404,550,000 at 30 September 2004 (*31/3/2004: HK\$1,645,017,000*) have been mortgaged to secure the Group's short term and long term bank loans.

## 12. Capital commitments

	30/9/2004 HK\$'000	31/3/2004 HK\$'000
Contracted but not provided for	245	245
Authorised but not contracted for	<u>—</u>	<u>—</u>
	<b>245</b>	<b>245</b>

## 13. Lease commitments

	30/9/2004 HK\$'000	31/3/2004 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	5,327	5,407
Later than one year and not later than five years	<u>2,450</u>	<u>4,550</u>
	<b>7,777</b>	<b>9,957</b>

## 14. Contingent liabilities

	30/9/2004 HK\$'000	31/3/2004 HK\$'000
Guarantees given in respect of banking facilities granted to Landyork ( <i>Note 7(b)</i> ), in proportion to the Group's 10% effective equity interest	100,000	100,000
Indemnity given in respect of banking facilities granted to Winhome ( <i>Note 7(d)</i> ) in proportion to the Group's 12% effective equity interest	<u>110,784</u>	<u>111,552</u>
	<b>210,784</b>	<b>211,552</b>

## Notes to the Interim Accounts

### 15. Subsequent event

Suntec City Development Pte. Ltd. (“SCD”) is the developer of the integrated commercial development in Singapore known as Suntec City, comprising the Suntec Singapore International Convention and Exhibition Centre, 5 office towers and a shopping mall completed in various phases between 1994 and 1997. Some office spaces have been sold by SCD previously. On 9 December 2004, SCD completed the sale of all the remaining office spaces and retail spaces in Suntec City, with strata floor areas of approximately 1,240,000 sq.ft and 918,000 sq.ft. respectively, to Suntec Real Estate Investment Trust (“Suntec REIT”) for a total consideration of S\$2,107 million (“Consideration”). The Suntec Singapore International Convention and Exhibition Centre is retained by SCD.

Suntec REIT is a Singapore-based unit trust established with the investment objective of owning and investing in real estate and real estate-related assets. On 30 November 2004 it offered 722 million units for subscription by way of an international placement and a public offer in Singapore (“Offer”). The Offer was over subscribed and additionally 108.3 million units were allotted. The subscription price was S\$1.00 per unit (“Offering Price”). Trading of Suntec REIT units on the Main Board of the Singapore Exchange commenced on 9 December 2004. Including the Consideration Units (as defined below), a total of 1,287 million units of Suntec REIT is currently in issue. Based on the Offering Price, Suntec REIT has forecast an annualized yield of 5.82% for the period from 1 December 2004 to 30 September 2005 and expected that the yield would grow to 6.13% for its financial year ending 30 September 2006.

The Consideration is payable as to:

- (a) S\$1,335 million in cash upon completion;
- (b) 565 million units of Suntec REIT based on the Offering Price upon completion (“Consideration Units”); and
- (c) 207 million units of Suntec REIT based on the Offering Price in 6 equal instalments, with the first instalment to be issued on the date falling 42 months after completion, and the rest semi-annually thereafter (“Deferred Units”).

The underwriters of the Offer exercised an over-allotment option in full and purchased 108.3 million Consideration Units from SCD in cash at the Offering Price. SCD has distributed all the remaining 456.7 million Consideration Units to its shareholders subject to a 180-days lock-up period from and including 9 December 2004 during which the SCD shareholders can not sell or otherwise dispose of the Consideration Units they received from SCD as a dividend in specie. Accordingly 23.48 million Suntec REIT units have been received by the Group.

The cash received by SCD as part of the Consideration together with the proceeds from the sale of 108.3 million Consideration Units to the underwriters aggregated S\$1,443.3 million. It is expected that SCD will declare a special cash dividend from these cash proceeds after repaying all its current bank borrowings of about S\$498 million and retaining an appropriate amount for its own operations. It is also expected that SCD will distribute the Deferred Units to its shareholders in specie as and when the same are received. The Deferred Units will not be subject to any lock-up arrangement.

As at 30 September 2004, the Group’s investment in SCD was carried in the accounts at Directors’ valuation in the amount of HK\$443.5 million, comprising investment cost of HK\$93.8 million and an investment revaluation reserve of HK\$349.7 million. After the amount of the special cash dividend from SCD has been ascertained, the carrying value of the Group’s investment in SCD will be reassessed and it is expected that a substantial portion of the investment revaluation reserve will be realized as profit in the Group’s annual accounts for the year ending 31 March 2005.

Due to the transactions relating to the Suntec REIT, SCD postponed the payment of its usual dividend for its financial year ended 30 September 2003 from July 2004 to December 2004. An amount in the equivalent of about HK\$12.6 million has been received by the Group.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **OPERATION REVIEW**

Sale of the entire Fibres and Fabrics Industrial Centre at the end of June 2004 boosted the Group's turnover for the Period to HK\$349.1 million, an increase of 219.5% compared to HK\$109.3 million for the corresponding 6 months in 2003. For the same reason, the Group's unaudited profit attributable to shareholders for the Period was HK\$251.1 million, reporting an even stronger growth of 389.9% in comparison to HK\$51.3 million achieved in the comparable period in 2003.

#### **Sale of Properties**

On a segment basis, disposal of the Fibres and Fabrics Industrial Centre, an 18 year old industrial building in Kwun Tong with a gross floor area of 305,462 sq.ft., was the only sale of properties transacted by the Group during the Period. The consideration was HK\$250 million. Including investment properties revaluation reserve realized in the amount of HK\$209.4 million, a profit before tax of HK\$216.8 million was reported for the sale. The Group has been retained by the new owner as the estate manager and leasing agent of the said building. For the corresponding period in 2003, floor spaces in Global Gateway (Hong Kong) in Tsuen Wan and Regent Centre in Kwai Chung aggregating 18,000 sq.ft. were sold for HK\$12.8 million, resulting in a loss of HK\$0.7 million but a sum of HK\$3.3 million was transferred directly from land and buildings revaluation reserve to retained earnings.

Sale of 5 units at the Regent Centre in Kwai Chung with a total gross floor area of 6,532 sq.ft. were completed after the end of the Period. Negotiations for more substantial sales are in progress.

#### **Rental and Property Management**

Segment turnover of the rental and property management segment for the Period was HK\$85.8 million, edging up slightly from HK\$84.0 million for the corresponding six months in 2003. Despite the loss of rental due to the disposal of the Fibres and Fabrics Industrial Centre, improvement was achieved by other properties held by the Group during the Period underpinned by the strong rebound of the Hong Kong economy. Operating profit before interest of this segment, however, reported a small decline from HK\$59.1 million to HK\$58.1 million, on account of higher repair and maintenance expenses in general and revision of management fees by the building management of Global Gateway (Hong Kong). As at 30 September 2004, total floor spaces leased out by the Group amounted to 1.97 million sq.ft.

#### **Warehousing**

The Group's warehousing operation in Zhangjiagang, Jiangsu was sold in June 2004 at its net book value of HK\$5.4 million and an exchange fluctuation reserve of HK\$0.9 million was realized as profit. Operation wise, the warehousing segment reported a small improvement in turnover and its loss has been narrowed down to near breakeven during the Period.

#### **Investments**

Currently the Group's investment segment derives income mainly from its 5.14% interest in Suntec City Development Pte Ltd., Singapore ("SCD"), developer of the integrated commercial development in Singapore known as Suntec City, comprising the Suntec Singapore International Convention and Exhibition Centre, 5 office towers and a shopping mall completed in various phases between 1994 and 1997. The annual dividend from SCD in the amount of about HK\$12.6 million, usually paid in July, was received after the end of the Period. The investment segment therefore reported a small loss of HK\$0.3 million for the Period, compared to an operating profit before interest of HK\$16.3 million for the corresponding 6 months in 2003 which also included an amount of HK\$4.7 million recovered from debts under liquidation. Recent development relating to SCD is reported below.

#### **Interest income and finance costs**

Loans advanced to 2 associated companies and an investee company respectively in connection with the Group's interests in The Granville, Kovan Melody and Draycott Eight development projects are interest-bearing. Interest income for the Period increased from HK\$3.4 million to HK\$4.1 million, mainly on account of the advances made towards Kovan Melody as from November 2003. The Group's bank borrowings have been reduced in the latter half of the Period via proceeds from the sale of the Fibres and Fabrics Industrial Centre. As a result, the Group's finance costs for the Period were reduced by HK\$1.5 million to HK\$7.4 million on a year-on-year basis inclusive of the costs of interest rate hedges.

## **Associated Companies**

The Group's associated companies reported a small combined profit for the Period, contributed mainly by the 24.8% owned Suzhou World Trade Centre in Suzhou. Contribution from associated companies will remain minor until the development profits on The Granville and Kovan Melody are booked by the relevant associated companies.

## **PROPERTY HELD FOR DEVELOPMENT**

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 is still in progress. It is anticipated that the Government will make a formal offer of the basic terms and premium of the lease modification in the first quarter of 2005. The development plan, with or without a hotel component, and the financing thereof will then be finalized for the development to kick off. It is the Group's intention to hold the developed property for rental income upon completion. The current use of the site as an open space car park will be terminated by end of January 2005.

## **PROJECT PROGRESS**

### **"The Grandville", Hong Kong**

The Group has a 10% indirect interest in this luxurious residential development at No. 2 Lok Kwai Path, Sha Tin. Market response since the launch of its presale last month has been encouraging and more than 90% of the gross floor area has been sold at prices averaging higher than HK\$7,000 per sq.ft. Completion of the development is scheduled for the first half year of 2006.

### **"Draycourt Eight", Singapore**

The Group has a 15% interest in this 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.

### **"Kovan Melody", Singapore**

The Group has a 12% indirect interest in this condominium apartment development in Singapore with a maximum permissible gross floor area of about 952,000 sq.ft. Presale commenced at the end of August 2004 and about 42% of the floor area has been sold at prices averaging S\$510 per sq.ft. by the end of November 2004.

## **GROUP STRUCTURE**

The sale of the Group's warehousing operation in Zhangjiagang, Jiangsu in June 2004 was effected through the disposal of two wholly owned subsidiaries. There were no other changes in the Group's structure during the Period.

## **EMPLOYEES**

As at 30 September 2004 the Group employed a total of 170 employees, 60 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 cash and bank balances as at 30 September 2004 were HK\$70.2 million, compared to HK\$126.2 million as at 31 March 2004. After repayment via the sale proceeds of the Fibres and Fabrics Industrial Centre, the Group's total bank borrowings were HK\$495.4 million as at 30 September 2004, representing a net decrease of HK\$320.4 million during the Period. Net borrowing of the Group has therefore been reduced by HK\$264.4 million to HK\$425.2 million. The bank loans are secured by



certain investment properties and properties for sale with a total net book value of HK\$1,404.6 million. Computed as the ratio of total bank borrowings to shareholders' funds, which was HK\$2,638.0 million as at 30 September 2004, the Group's gearing was 18.8% as at that date.

The Group's total bank borrowings at 30 September 2004 comprised short term revolving loans and overdrafts of HK\$35.1 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. Long term loans in the equivalent of HK\$214.2 million were denominated in Singapore dollar, and were backed up by the Group's assets in Singapore. As at 30 September 2004, 19.9% or HK\$91.8 million of the long-term loans will fall due within the next 12 months. The repayment will be met by funds generated from the Group's operations.

Interest rate hedge instruments for an aggregate notional principal amount of HK\$380 million were in effect throughout the Period.

The Group also carried other long term loans aggregating HK\$142.7 million as at 30 September 2004, being unsecured interest-free loans with no fixed terms of repayment from minority shareholders of two subsidiaries. A sum of HK\$2.8 million was repaid during the Period.

The Group did not have any material capital commitments as at 30 September 2004.

Other than a small decrease from HK\$211.6 million to HK\$210.8 million due to exchange fluctuation during the Period, there were no other changes to the Group's contingent liabilities in respect of guarantees and indemnity provided to secure banking facilities granted to The Grandville and Kovan Melody projects.

#### **RECENT DEVELOPMENT RELATING TO SCD**

On 9 December 2004, SCD completed the sale of all the remaining office spaces and retail spaces in Suntec City, with strata floor areas of approximately 1,240,000 sq.ft and 918,000 sq.ft. respectively, to Suntec Real Estate Investment Trust ("Suntec REIT") for a total consideration of S\$2,107 million. SCD has received S\$1,443.3 million in cash and 456.7 million units of Suntec REIT issued at a price of S\$1.00 each on 9 December 2004. Payment of the balance of S\$207 million of the consideration is deferred and will be payable in 207 million Suntec REIT units in 6 equal semi-annual installments starting from June 2008. SCD has been retained as the property manager and strategic advisor of the Suntec REIT. Its principal remaining asset is the Suntec Singapore International Convention and Exhibition Centre. Future operating income of SCD will be very much reduced by the disposal, so will be the Group's dividend income from SCD.

SCD has already distributed the said 456.7 million units of Suntec REIT to its shareholders by a dividend in specie subject to a lock-up period of 180 days. The deferred Suntec REIT units receivable by SCD are not subject to any lock-up arrangement and it is expected that the same will also be distributed by SCD to its shareholders as and when received. It is also expected that SCD will declare a special cash dividend from the balance of the cash consideration of S\$1,443.3 million after repaying all its current bank borrowings of about S\$498 million and retaining an appropriate amount for its own operations.

As a shareholder of SCD with an interest of 5.14%, the Group has received 23.48 million Suntec REIT units (with an issue value of about HK\$109.9 million) on 9 December 2004 and will receive a further 10.64 million units (with an issue value of about HK\$49.8 million) in 6 instalments as described above. Subject to any retention by SCD, the maximum amount of the Group's share of SCD's special cash dividend will be about S\$48.6 million (about HK\$227 million) but the exact amount is yet to be declared by SCD.

Suntec REIT is a Singapore-based unit trust established with the investment objective of owning and investing in real estate and real estate-related assets. Other than the 456.7 million units issued to SCD, a total of 830.3 million units have been allotted at S\$1.00 each under an international placement and a public offer in Singapore. There were thus a total of 1,287 million units in issue when trading of Suntec REIT units on the main board of the Singapore Exchange commenced on 9 December 2004.

Based on the issue price of S\$1.00, Suntec REIT has forecast an annualized yield of 5.82% for the period from 1 December 2004 to 30 September 2005 and expected that the yield would grow to 6.13% for its financial year ending 30 September 2006. As a corporate unitholder, any distribution by the Suntec REIT to the Group will be subject to Singapore withholding tax. On the above bases, annualised income receivable by the Group from its holding of Suntec REIT units initially will be about 40% of what the Group used to receive from SCD, rising to about 60% after all the deferred units have been received.

As at 30 September 2004, the Group's investment in SCD was carried in the accounts at Directors' valuation in the amount of HK\$443.5 million, comprising investment cost of HK\$93.8 million and an investment revaluation reserve of HK\$349.7 million. After the amount of the special cash dividend from SCD has been ascertained, the carrying value of the Group's investment in SCD will be reassessed and it is expected that a substantial portion of the investment revaluation reserve will be realized as profit in the Group's annual accounts for the year ending 31 March 2005.

## **OUTLOOK**

Strong growth of the economy and trade-related activities in Hong Kong has fuelled the demand for industrial properties with improvement in both rentals and capital value. With the good results of the first half year on hand and the profit to be realized from the Group's investment in SCD in the second half, the year ending 31 March 2005 is set to be a record year for the Group. The gearing, liquidity, assets mix and overall financial position of the Group have all been strengthened significantly by the transactions reported herein. Apart from proceeding with the development of the 102 How Ming Street site, the Group will also actively look out for investment opportunities to enhance the Group's income base.

## **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 7 cents per share for the year ending 31 March 2005, payable on 3 February 2005 to all shareholders on register as at 26 January 2005. The Register of Members and the Transfer Books will be closed from 24 January to 26 January 2005, 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 Friday, 21 January 2005.

## **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 2004 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 <i>(Notes 1 &amp; 2)</i>		
Mr. Cheng Wai Chee, Christopher	—	27,000	—	108,831,887	108,858,887	41.91%
Mr. Chow Wai Wai, John	2,555,000	—	—	—	2,555,000	0.98%
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 37,041,387 ordinary shares in the Company as from 15 March 2004. 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 2004.

## 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 2004 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		
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	36,950,887	—	—	36,950,887	14.23%
USI Holdings (B.V.I.) Limited (Note 5)	—	—	37,041,387	37,041,387	14.26%
USI Holdings Limited (Note 5)	—	—	37,041,387	37,041,387	14.26%
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 37,041,387 shares in the Company, 36,950,887 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 2004 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.

## FINANCIAL ASSISTANCE AND GUARANTEES PROVIDED TO ENTITIES AND AFFILIATED COMPANIES

### Relevant advances to entities

In accordance with rule 13.20 of the Listing Rules, details of relevant advances made by the Group to the following entities which individually exceeded 8% of the Company's market capitalisation as at 30 September 2004 of approximately HK\$920,584,000 ("Market Capitalisation") based on the total number of 259,685,288 shares of the Company in issue on 30 September 2004 and the average closing price of HK\$3.545 per share for the five business days immediately preceding 30 September 2004, are as follows:

Name of entity	Attributable interest held	Loans as at 30/9/2004 (A) HK\$'000	Interest rate per annum	Guarantee provided (B) HK\$'000	Guaranteed loan drawn HK\$'000	Maturity of guarantee	Total (A+B) HK\$'000	Note
Universal Plus Ltd.	20.0%	36,820	Prime less 3%	100,000	43,140	June 2006	136,820	1
Winwill Investment Pte Ltd	20.0%	49,957	3.5%	110,784	100,752	March 2007	160,741	2
Winworth Investment Pte Ltd	15.0%	115,241	4.0619%	—	—		115,241	3

The loans have been provided by the Group to the named entities as shareholders' loans in proportion to the Group's equity interests therein and are unsecured and have no fixed terms of repayment. The loans are funded partly by the Group's internal resources and partly by utilising the Group's banking facilities. Save for the loans disclosed above, no capital injection has been committed by the Group. No further material loans or other forms of financial assistance have been provided by the Group to, and no material repayment of the loans or further material utilization of the guaranteed facilities have been made by, the named entities since 30 September 2004.

Notes:

- The loans advanced to Universal Plus Ltd. ("Universal") have been loaned by Universal onward to Landyork Investment Ltd. ("Landyork") which is a 50% owned associated company of Universal, and the guarantee is given by the Group directly for the benefit of Landyork in respect of banking facilities granted to Landyork. The Group's funding and payment obligations under the said guarantee are several and limited to the Group's 10% effective interest in Landyork.
- The loans advanced to Winwill Investment Pte Ltd ("Winwill") have been loaned by Winwill onward to Winhome Investment Pte Ltd ("Winhome") which is a 60% owned subsidiary of Winwill, and the guarantee is provided by the Group by way of an indemnity given to Wing Tai Holdings Ltd., another beneficial shareholder of Winwill, who has provided a guarantee on behalf of Winwill in respect of banking facilities granted to Winhome. The Group's funding and payment obligations under the said indemnity are several and limited to the Group's 12% effective interest in Winhome.
- The balance of HK\$115,241,000 as at 30 September 2004 of the loan advanced to Winworth Investment Pte Ltd ("Winworth") is the equivalent of S\$26,239,000. Interest on the loan is calculated as simple normal interest at the rate of 4.0619% per annum for a period of 3 years from 26 June 2002 and payable in a lump sum at the end thereof. Irrespective of whether the loan shall have been repaid in full or in part during the course of the said three years, interest shall nonetheless accrue for the whole of the said three years on the full amount of the loan of S\$30,000,000 made by the Group on 26 June 2002. The loan has been subordinated to the indebtedness of Winworth to its bankers.

**FINANCIAL ASSISTANCE AND GUARANTEES PROVIDED TO ENTITIES AND AFFILIATED COMPANIES** *(continued)***Pro forma combined balance sheet of affiliated companies**

Loans advanced to and guarantees provided by the Group for the benefit of the Group's affiliated companies (as such term is defined in Chapter 13 of the Listing Rules and means associated companies in the context of the Group) as at 30 September 2004 in aggregate exceeded 8% of the Company's Market Capitalisation as at 30 September 2004. In accordance with rule 13.22 of the Listing Rules, a pro forma combined balance sheet of the Group's affiliated companies as at 30 September 2004 and the Group's attributable interest therein are set out below:

	Pro forma combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Investment properties	14,413	4,667
Other fixed assets	48,184	12,510
Properties under development	1,296,624	259,325
Associated companies	192,640	38,528
Net current assets	130,744	26,449
Minority interests	(1,832)	(367)
Long term bank loans	(839,601)	(167,920)
Other long term loans	(177,227)	(34,929)
Progress payments received	(143,711)	(28,742)
Amounts and loans due to shareholders	<u>(493,791)</u>	<u>(105,611)</u>
	<u>26,443</u>	<u>3,910</u>

On behalf of the Board  
**Cheng Wai Chee, Christopher**  
*Chairman*

Hong Kong, 16 December 2004.