



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 2005

INTERIM RESULTS

The Directors are pleased to present the Group's condensed consolidated profit and loss account, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months ended 30 September 2005 (the "Period"), and the condensed consolidated balance sheet as at 30 September 2005, all of which are unaudited, along with relevant explanatory notes (collectively "Interim Accounts").

These unaudited Interim Accounts as set out on pages 1 to 16 have been reviewed by the Company's auditors in accordance with Statement of Auditing Standards 700 "Engagements to Review Interim Financial Reports" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the Company's auditors concluded that, based on their review in accordance with the afore-mentioned standard, they are not aware of any material modification that should be made to these unaudited Interim Accounts. These unaudited Interim Accounts have also been reviewed by the Company's Audit Committee.

Unaudited Condensed Consolidated Profit and Loss Account

For the six months ended 30 September 2005

	Note	Six months ended 30 September	
		2005 HK\$'000	2004 HK\$'000
Turnover	3	863,185	349,108
Cost of sales		<u>(704,201)</u>	<u>(65,882)</u>
Gross profit		158,984	283,226
Other revenues	3	74,391	5,666
Selling expenses		(6,534)	(4,213)
Administrative expenses		(14,547)	(13,950)
Increase in fair value of investment properties		303,260	—
Other operating income less expenses		<u>360</u>	<u>273</u>
		515,914	271,002
Finance costs		<u>(4,340)</u>	<u>(7,446)</u>
Operating profit	3,4	511,574	263,556
Share of profits less losses of associated companies		<u>(484)</u>	<u>24</u>
Profit before taxation		511,090	263,580
Taxation	5	<u>(56,742)</u>	<u>(8,032)</u>
Profit for the period		<u>454,348</u>	<u>255,548</u>
Attributable to:			
Equity holders of the Company		452,737	251,114
Minority interests		<u>1,611</u>	<u>4,434</u>
		<u>454,348</u>	<u>255,548</u>
Dividends	6	<u>23,372</u>	<u>18,178</u>
		HK\$	HK\$
Earnings per share	7	<u>1.74</u>	<u>0.97</u>

Unaudited Condensed Consolidated Balance Sheet

At 30 September 2005

	<i>Note</i>	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000 Restated
Non-current assets			
Fixed assets	9	31,859	2,231,990
Investment properties	10	3,593,816	1,628,039
Associated companies		51,052	19,558
Available-for-sale financial assets		200,228	—
Loans and receivables		152,003	—
Other investments		—	438,176
Deferred tax assets		5,688	5,675
		<u>4,034,646</u>	<u>4,323,438</u>
Current assets			
Properties for sale		—	127,842
Debtors and other receivables	11	17,337	164,852
Derivative financial instruments		2,494	—
Cash and bank balances		645,999	76,222
		<u>665,830</u>	<u>368,916</u>
Current liabilities			
Creditors and accruals	12	37,833	192,160
Bank loans and overdrafts	13	2,294	81,364
Tax payable		67,747	11,869
		<u>107,874</u>	<u>285,393</u>
Net current assets		<u>557,956</u>	<u>83,523</u>
Total assets less current liabilities		<u>4,592,602</u>	<u>4,406,961</u>
Non-current liabilities			
Long term bank loans	14	36,704	172,848
Other long term loans		35,420	35,420
Deferred tax liabilities		462,060	463,693
		<u>534,184</u>	<u>671,961</u>
Net assets		<u>4,058,418</u>	<u>3,735,000</u>
Capital and reserves attributable to the equity holders of the Company			
Share capital		2,596	2,596
Other reserves		916,435	3,025,071
Retained earnings		3,114,424	660,610
Proposed final dividend		—	46,743
Interim dividend declared		23,372	—
		<u>4,056,827</u>	<u>3,735,020</u>
Minority interests		1,591	(20)
Total equity		<u>4,058,418</u>	<u>3,735,000</u>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2005

	Share capital	Contributed surplus	Land and buildings revaluation reserve	Investment properties revaluation reserve	Investment revaluation reserve	Exchange fluctuation account	Retained earnings	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2005, as previously reported as:									
- equity	2,596	839,195	1,913,562	551,499	228,493	(21,834)	660,610	—	4,174,121
- minority interests (as previously presented separately)	—	—	—	—	—	—	—	(20)	(20)
Prior period adjustments in respect of deferred income tax arising from revaluation of properties	—	—	(334,873)	(104,228)	—	—	—	—	(439,101)
	2,596	839,195	1,578,689	447,271	228,493	(21,834)	660,610	(20)	3,735,000
Opening adjustments for the adoption of:									
- HKASs 32 and 39	—	—	—	—	—	—	(1,511)	—	(1,511)
- HKAS 40	—	—	(1,549,708)	(447,271)	—	—	1,996,979	—	—
	—	—	(1,549,708)	(447,271)	—	—	1,995,468	—	(1,511)
At 1 April 2005, as restated	2,596	839,195	28,981	—	228,493	(21,834)	2,656,078	(20)	3,733,489
Exchange translation differences	—	—	—	—	—	(2,289)	—	—	(2,289)
Reserve transferred upon disposal of properties for sale	—	—	(28,981)	—	—	—	28,981	—	—
Fair value changes in available-for-sale financial assets	—	—	—	—	(20,611)	—	—	—	(20,611)
Net amount not recognized in the profit and loss account	—	—	(28,981)	—	(20,611)	(2,289)	28,981	—	(22,900)
Realized on distribution by an unlisted investment	—	—	—	—	(59,776)	—	—	—	(59,776)
Profit for the period	—	—	—	—	—	—	452,737	1,611	454,348
Prior year final dividend paid	—	(46,743)	—	—	—	—	—	—	(46,743)
	—	(46,743)	(28,981)	—	(80,387)	(2,289)	481,718	1,611	324,929
At 30 September 2005	2,596	792,452	—	—	148,106	(24,123)	3,137,796	1,591	4,058,418

Unaudited Condensed Consolidated Statement of Changes in Equity *(continued)*

For the six months ended 30 September 2005

	Share capital	Contributed surplus	Land and buildings revaluation reserve	Investment properties revaluation reserve	Investment revaluation reserve	Exchange fluctuation account	Retained earnings	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2004, as previously reported as:									
- equity	2,596	857,373	603,705	590,042	359,463	(17,495)	218,979	—	2,614,663
- minority interests (as previously presented separately)	—	—	—	—	—	—	—	(11,381)	(11,381)
Prior period adjustments in respect of deferred income tax arising from revaluation of properties	—	—	(105,648)	(112,561)	—	—	—	—	(218,209)
At 1 April 2004, as restated	2,596	857,373	498,057	477,481	359,463	(17,495)	218,979	(11,381)	2,385,073
Exchange translation differences	—	—	—	—	—	658	—	—	658
Reserve realized on disposal of subsidiaries	—	—	—	—	—	(854)	—	—	(854)
Net amount not recognized in the profit and loss account	—	—	—	—	—	(196)	—	—	(196)
Reserve realized on disposal of investment properties	—	—	—	(172,723)	—	—	—	—	(172,723)
Profit for the period	—	—	—	—	—	—	251,114	4,434	255,548
Prior year final dividend paid	—	—	—	—	—	—	(18,178)	—	(18,178)
	—	—	—	(172,723)	—	(196)	232,936	4,434	64,451
At 30 September 2004, as restated	2,596	857,373	498,057	304,758	359,463	(17,691)	451,915	(6,947)	2,449,524

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2005

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Net cash from operating activities	228,978	40,282
Net cash from investing activities	602,756	243,963
Net cash used in financing activities	(261,957)	(340,369)
Increase/(decrease) in cash and cash equivalents	569,777	(56,124)
Cash and cash equivalents at 1 April	<u>76,222</u>	<u>126,185</u>
Cash and cash equivalents at 30 September	<u>645,999</u>	<u>70,061</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	645,999	70,180
Bank overdrafts and loans repayable within 3 months from the date of advance	<u>—</u>	<u>(119)</u>
	<u>645,999</u>	<u>70,061</u>

Notes to the Unaudited Interim Accounts

1. Basis of preparation and accounting policies

These unaudited Interim Accounts have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the HKICPA and in compliance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (“Stock Exchange”).

These unaudited Interim Accounts should be read in conjunction with the annual financial statements for the year ended 31 March 2005, except that the Group has changed certain of its accounting policies following the adoption of the new/revised Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and interpretations (“HKAS-Ints”) (collectively “HKFRSs”) which are effective for accounting periods commencing on or after 1 January 2005.

2. Changes in accounting policies

In the current period, the Group adopted the new/revised HKFRSs which are relevant to its operations. The overall effects of the adoption of the new/revised HKFRSs are to decrease the opening equity (including minority interests) as at 1 April 2005 and 2004 by HK\$440,612,000 and HK\$218,209,000 respectively. The application of the new/revised HKFRSs has also resulted in a change in the presentation of the profit and loss account, balance sheet and statement of changes in equity. In particular, the presentation of minority interests and the Group’s share of taxation attributable to associated companies have been changed. The comparative figures have been amended as required in accordance with the relevant requirements.

Details of the major changes in the Group’s accounting policies are as follows:

(i) Investment properties

The adoption of HKAS 40 “Investment Property” has resulted in a change in the accounting policy for and classification of investment properties. In prior years, the increases in fair value were credited to investment properties revaluation reserve whereas decreases in fair value were first set off against increase on earlier valuations on a portfolio basis and thereafter expensed in the profit and loss account. Following the adoption of HKAS 40, changes in fair value of investment properties are now recognised in the profit and loss account.

In accordance with the transitional provisions of HKAS 40, the amount held in investment properties revaluation reserve as at 1 April 2005 has been reclassified to the Group’s retained earnings. Also, with the wider definition of investment properties as set out in HKAS 40, the Group has reclassified a property held for development as an investment property and its related land and building revaluation reserve as at 1 April 2005 has also been reclassified to the Group’s retained earnings. The Group adopted HKAS 40 prospectively and accordingly the comparative figures of the relevant balance sheet items, profit and loss account items and related disclosure information have not been restated.

(ii) Deferred taxation

The adoption of HKAS-Int 21 “Income Taxes - Recovery of Revalued Non-Depreciable Assets” has resulted in a change in the accounting policy relating to the measurement of deferred taxation arising from the revaluation of investment properties. Such deferred taxation is measured on the basis of tax consequences that would follow from recovery of the carrying amount of that asset through use and is calculated at the profits tax rate.

In prior years, the carrying amount of the asset was expected to be recovered through sale. No provision for deferred taxation on revaluation of investment properties in Hong Kong was made as the deferred taxation was calculated at the tax rate applicable on eventual sale, which in Hong Kong is nil.

HKAS-Int 21 does not have any transitional provisions and this change in accounting policy has been applied retrospectively and comparative figures have been restated accordingly.

Notes to the Unaudited Interim Accounts

2. Changes in accounting policies (continued)

(iii) Financial instruments

The adoption of HKAS 32 “Financial Instruments: Disclosure and Presentation” and HKAS 39 “Financial Instruments: Recognition and Measurement” has resulted in a change in accounting policy for recognition, measurement and disclosure of financial instruments.

In prior years, financial derivatives held by the Group were not recorded on the balance sheet. From 1 April 2005 onwards, all financial derivatives that are within the scope of HKASs 32 and 39 are required to be carried at fair value at each balance sheet date. Depending on the type of hedging relationship, subsequent changes in the fair value of financial derivatives and hedged items are to be charged to the profit and loss account or directly transferred to hedging reserve.

The Group has also redesignated its other investments as “available-for-sale financial assets” or “loans and receivables” on 1 April 2005. The changes in fair values for available-for-sale financial assets are recognised in equity. Loans and receivables are measured at amortised cost using the effective interest method.

As HKAS 39 does not permit recognition, derecognition and measurement of financial instruments on a retrospective basis, all the related financial impact on the Group’s financial statements in prior years are reflected as opening adjustments to the Group’s equity as at 1 April 2005 and accordingly, the comparative figures as presented in the balance sheet have not been restated.

(iv) Effects

The effects of the above changes in accounting policies on the profit and loss account items, earnings per share, balance sheet items and the component of total equity are summarised below:

	HKAS 40	HKAS-Int 21	HKASs 32 and 39	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the six months ended 30 September 2005				
<u>Profit and loss account items</u>				
Increase in fair value of investment properties	303,260	—	—	303,260
Increase in other operating income	—	—	3,007	3,007
Disposal of properties during the period	(279,649)	55,086	—	(224,563)
Increase in deferred taxation charge	—	(53,071)	—	(53,071)
Increase in profit for the period	<u>23,611</u>	<u>2,015</u>	<u>3,007</u>	<u>28,633</u>
Attributable to:				
Equity holders of the Company	23,611	2,015	3,007	28,633
Minority interests	—	—	—	—
	<u>23,611</u>	<u>2,015</u>	<u>3,007</u>	<u>28,633</u>
Increase in earnings per share (in HK\$)	<u>0.09</u>	<u>0.01</u>	<u>0.01</u>	<u>0.11</u>

The changes in accounting policies as mentioned above did not have any significant impact on the profit and loss account items and earnings per share for the six months ended 30 September 2004.

Notes to the Unaudited Interim Accounts

2. Changes in accounting policies (continued)

(iv) Effects (continued)

	HKAS 40	HKAS-Int 21	HKASs 32 and 39	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 30 September 2005				
<u>Balance sheet items</u>				
Decrease in fixed assets	(2,200,000)	—	—	(2,200,000)
Increase in investment properties	2,200,000	—	—	2,200,000
Decrease in other investments	—	—	(438,176)	(438,176)
Recognition of available-for-sale financial assets	—	—	300,652	300,652
Recognition of loans and receivables	—	—	136,526	136,526
Recognition of derivative financial instruments	—	—	2,494	2,494
Increase in deferred tax liabilities	—	(437,086)	—	(437,086)
(Decrease)/increase in net assets	—	(437,086)	1,496	(435,590)
<u>Component of total equity</u>				
Decrease in land and buildings revaluation reserve	(1,884,581)	—	—	(1,884,581)
Decrease in investment properties revaluation reserve	(551,499)	—	—	(551,499)
Increase/(decrease) in retained earnings	2,436,080	(437,086)	1,496	2,000,490
(Decrease)/increase in total equity	—	(437,086)	1,496	(435,590)
At 1 April 2005				
<u>Balance sheet items</u>				
Decrease in fixed assets	(2,200,000)	—	—	(2,200,000)
Increase in investment properties	2,200,000	—	—	2,200,000
Recognition of available-for-sale financial assets	—	—	(144)	(144)
Recognition of derivative financial instruments	—	—	(1,367)	(1,367)
Increase in deferred tax liabilities	—	(439,101)	—	(439,101)
Decrease in net assets	—	(439,101)	(1,511)	(440,612)
<u>Component of total equity</u>				
Decrease in land and buildings revaluation reserve	(1,884,581)	—	—	(1,884,581)
Decrease in investment properties revaluation reserve	(551,499)	—	—	(551,499)
Increase/(decrease) in retained earnings	2,436,080	(439,101)	(1,511)	1,995,468
Decrease in total equity	—	(439,101)	(1,511)	(440,612)
At 30 September 2004				
<u>Balance sheet items</u>				
Increase in deferred tax liabilities	—	(181,571)	—	(181,571)
<u>Component of total equity</u>				
Decrease in land and buildings revaluation reserve	—	(105,648)	—	(105,648)
Decrease in investment properties revaluation reserve	—	(75,923)	—	(75,923)
Decrease in total equity	—	(181,571)	—	(181,571)

Notes to the Unaudited Interim Accounts

2. Changes in accounting policies (continued)

(iv) Effects (continued)

	HKAS 40 HK\$'000	HKAS-Int 21 HK\$'000	HKASs 32 and 39 HK\$'000	Total HK\$'000
At 1 April 2004				
<u>Balance sheet items</u>				
Increase in deferred tax liabilities	—	(218,209)	—	(218,209)
<u>Component of total equity</u>				
Decrease in land and buildings revaluation reserve	—	(105,648)	—	(105,648)
Decrease in investment properties revaluation reserve	—	(112,561)	—	(112,561)
Decrease in total equity	—	(218,209)	—	(218,209)

3. 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	
	2005 HK\$'000	2004 HK\$'000
Turnover		
Sale of investment properties and properties for sale	772,116	250,000
Rental and property management	75,881	85,796
Warehousing	15,188	13,312
	863,185	349,108
Other revenues		
Dividend income from		
- an unlisted investment	59,776	—
- a listed unit trust	3,750	—
Interest income	7,721	4,064
Others	3,144	1,602
	74,391	5,666
	937,576	354,774

Notes to the Unaudited Interim Accounts

3. Turnover, revenue and segment information (continued)

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

Primary reporting format – business segments

	Six months ended 30 September 2005				
	Sale of properties	Rental and property management	Warehousing	Investment	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	772,116	75,881	15,188	—	863,185
Segment results	92,815	54,054	2,136	62,953	211,958
Unallocated income less expenses					(7,025)
Increase in fair value of investment properties					303,260
Operating profit before interest					508,193
Interest income less finance costs					3,381
Operating profit					511,574
Share of profits less losses of associated companies	—	214	—	(698)	(484)
Profit before taxation					511,090
Taxation					(56,742)
Profit for the period					454,348

	Six months ended 30 September 2004				
	Sale of properties	Rental and property management	Warehousing	Investment	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	250,000	85,796	13,312	—	349,108
Segment results	216,788	58,094	(99)	(283)	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 for the period					255,548

Notes:

- (i) Increase in fair value of investment properties in Hong Kong for the Period of HK\$303,260,000 has been disclosed separately. As the Group adopted HKAS 40 prospectively, the related segment information for the six months ended 30 September 2004 has not been restated.
- (ii) The initial adoption of HKASs 32 and 39 on 1 April 2005 do not require the restatement of the comparative figures and accordingly, the segment results, finance costs and other related segment information for the six months ended 30 September 2004 have not been restated.

Notes to the Unaudited Interim Accounts

3. Turnover, revenue and segment information (continued)

Secondary reporting format – geographical segments

	Six months ended 30 September			
	Turnover		Segment results	
	2005	2004	2005	2004
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	853,928	342,050	147,188	274,861
Singapore	1,563	1,080	63,638	558
Mainland China	7,694	5,978	1,132	(919)
	<u>863,185</u>	<u>349,108</u>	<u>211,958</u>	<u>274,500</u>
Unallocated income less expenses			(7,025)	(8,435)
Increase in fair value of investment properties			303,260	—
Gain on disposal of subsidiaries			—	873
Operating profit before interest			508,193	266,938
Interest income less finance costs			3,381	(3,382)
Operating profit			<u>511,574</u>	<u>263,556</u>

4. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Crediting:		
Gross rental income from investment properties	72,628	80,045
Gross rental income from property held for development	—	3,439
Gain on disposal of investment properties and properties for sale	92,815	216,788
Gain on disposal of subsidiaries	—	873
Exchange gain	—	522
	<u>165,443</u>	<u>301,667</u>
Charging:		
Depreciation of fixed assets	1,577	2,709
Staff costs	14,903	15,444
Outgoings in respect of investment properties	21,802	24,041
Outgoings in respect of property held for development	—	3,206
Operating leases – land and buildings	3,231	2,993
Exchange loss	174	—
	<u>41,687</u>	<u>48,393</u>

Notes to the Unaudited Interim Accounts

5. Taxation

Hong Kong profits tax has been provided at the rate of 17.5% (2004: 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 operate.

The amount of taxation charged to the consolidated profit and loss account represents:

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	(52,982)	(11,285)
Overseas taxation	(761)	(23)
(Under)/over provisions in prior years	(4,646)	117
Deferred tax credit	1,647	3,159
Taxation charges	<u>(56,742)</u>	<u>(8,032)</u>

6. Dividends

	Six months ended 30 September	
	2005	2004
	HK\$'000	HK\$'000
Interim dividend, declared of HK\$0.09 (2004: HK\$0.07) per share	<u>23,372</u>	<u>18,178</u>

- (a) At a meeting held on 14 July 2005, the Directors recommended a final dividend of HK\$0.18 per share for the year ended 31 March 2005, which was paid on 7 September 2005 and has been reflected as an appropriation of reserves for the Period.
- (b) At a meeting held on 15 December 2005, the Directors declared an interim dividend of HK\$0.09 per share for the year ending 31 March 2006. This interim dividend declared is not reflected as a dividend payable in these unaudited Interim Accounts, but will be reflected as an appropriation of reserves for the year ending 31 March 2006.

7. Earnings per share

The calculation of earnings per share is based on profit attributable to equity holders of the Company of HK\$452,737,000 (2004: HK\$251,114,000) and 259,685,288 (2004: 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 2005 (2004: Nil).

Notes to the Unaudited Interim Accounts

8. Related party transactions

In addition to those disclosed elsewhere in these unaudited Interim Accounts, the following is a summary of significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the Period.

(a) Sales/purchases of goods, services and investments

	Six months ended 30 September	
	2005 HK\$'000	2004 HK\$'000
Management fee income received from related companies (<i>note i</i>)	137	—
Rental and other income received from related companies (<i>note ii</i>)	631	960
Interest income from a newly acquired associated company (<i>note iii</i>)	468	—
Interest income from other associated companies (<i>note 8(b)</i>)	954	1,258
Interest income from an investee company (<i>note 8(b)</i>)	1,642	2,796
Rental expenses paid to a related company (<i>note ii</i>)	(605)	(338)
Sharing of administrative expenses with related companies (<i>note ii</i>)	(37)	(72)
Project management fee paid to a related company and capitalized in investment properties (<i>note iv</i>)	<u>(450)</u>	<u>—</u>

Notes:

- (i) The management fee income received by the Group were charged at rates pursuant to the agreements entered into between the Group and the related companies.
- (ii) The transactions with the related companies were conducted on terms as agreed between the relevant parties.
- (iii) Pursuant to approval granted by the independent shareholders of USI Holdings Limited (“USI”), a deemed substantial shareholder of the Company, and the Company respectively on 21 April 2005, the issued share capital of Pangold Development Limited, Hong Kong (“Pangold”) has been restructured such that the effective equity interest of USI and the Company in Pangold are 80% and 20% respectively. The Group also acquired from USI 20% of the amount due by Pangold to USI at cost and reimbursed USI for 20% of USI’s cost of funding for the said amount. The Group’s total investment in Pangold after such acquisition is HK\$53,057,000. The USI group and the Group have entered into a shareholders’ agreement to regulate, amongst other things, their relationship as shareholders of Pangold and to provide financial support to Pangold in the said proportions.

Pangold is holding No. 157 Argyle Street, Kowloon, having a site area of approximately 18,000 square feet, for investment purpose and the site may be redeveloped into residential units for sale.

The loans advanced by the Group to Pangold 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 HIBOR plus a spread.

- (iv) The project management fee paid to the related company was charged pursuant to the agreement entered into between the Group and the related company.

Notes to the Unaudited Interim Accounts

8. Related party transactions (continued)

(b) Period-end loan balances with related parties are as follows:

	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000
Amounts and loans due from a newly acquired associated company (note 8(a)(iii))	53,525	—
Amounts and loans due from other associated companies	69,713	68,847
Amounts and loans due to other associated companies	(76,015)	(53,602)
Amounts and loans due from an investee company	<u>153,000</u>	<u>137,525</u>

The amounts and loans due from/to other associated companies are unsecured and have no fixed terms of repayment. Except for an amount of HK\$50,750,000 (31/3/2005: HK\$50,750,000) due from an associated company which bears interest at 3.5% (31/3/2005: 3.5%) per annum, all other amounts and loans due from/to other associated companies are interest free.

The amounts and loans due from an investee company are unsecured, have no fixed terms of repayment, and have been subordinated to the indebtedness of the investee company to its bankers. As at 30 September 2005, except for an amount of HK\$16,960,000 which bears interest at 6.25% per annum, all other amounts and loans due from the investee company are interest free. As at 31 March 2005, interest on the amounts and loans due from the investee company was calculated at a fixed rate on a nominal principal sum of S\$30,000,000.

9. Fixed assets

During the Period, the Group acquired fixed assets of HK\$1,497,000 (2004: HK\$614,000) and disposed of fixed assets with an aggregate net book value of HK\$42,000 (2004: HK\$14,000).

10. Investment properties

During the Period, an aggregate amount of HK\$10,511,000 (2004: Nil) was capitalized in investment properties and investment properties with a carrying amount of HK\$545,950,000 (2004: HK\$240,000,000) were disposed of.

Investment properties are stated at open market value as at 30 September 2005. The open market value was assessed by the Directors of the Company with reference to a limited scope valuation report prepared by an independent property valuer.

11. Debtors and other receivables

Included in debtors and other 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 rental 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:

	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000
Current – 45 days	5,002	4,198
46 – 90 days	1,869	3,158
Over 90 days	<u>1,370</u>	<u>622</u>
	<u>8,241</u>	<u>7,978</u>

Notes to the Unaudited Interim Accounts

12. Creditors and accruals

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

	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000
Current – 45 days	2,189	2,698
46 – 90 days	557	123
Over 90 days	776	—
	<u>3,522</u>	<u>2,821</u>

13. Bank loans and overdrafts

	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000
Current portion of long term bank loans (<i>Note 14</i>)	<u>2,294</u>	<u>81,364</u>

14. Long term bank loans

	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000
Secured — wholly repayable within five years	38,998	254,212
Less: Amount repayable within one year included under current liabilities (<i>Note 13</i>)	<u>(2,294)</u>	<u>(81,364)</u>
	<u>36,704</u>	<u>172,848</u>

The long term bank loans are repayable as follows:

	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000
Within one year	2,294	81,364
In the second year	36,704	136,206
In the third to fifth years inclusive	<u>—</u>	<u>36,642</u>
	<u>38,998</u>	<u>254,212</u>

The long term bank loans included an amount of HK\$38,998,000 (*31/3/2005: HK\$94,212,000*) denominated in Singapore dollars. Certain investment properties with a carrying amount of HK\$957,845,000 at 30 September 2005 (*31/3/2005: HK\$1,588,771,000, including properties for sale*) have been mortgaged to secure the Group's banking facilities.

15. Capital commitments

	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000
Fixed assets		
Contracted but not provided for	—	14,749
Authorised but not contracted for	—	21,888
Investment properties		
Contracted but not provided for	<u>152,939</u>	<u>—</u>
	<u>152,939</u>	<u>36,637</u>

Notes to the Unaudited Interim Accounts

16. Lease commitments

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:

	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000
Not later than one year	4,118	5,852
Later than one year and not later than five years	—	350
	<u>4,118</u>	<u>6,202</u>

17. Contingent liabilities

	At 30/9/2005 HK\$'000	At 31/3/2005 HK\$'000
Guarantees given in respect of banking facilities granted to an investee company	—	100,000
Indemnity given in respect of banking facilities granted to an investee company	110,112	113,472
	<u>110,112</u>	<u>213,472</u>

18. Subsequent event

On 30 September 2005, USI and the Company entered into a memorandum of agreement whereby, subject to the approval by the independent shareholders of USI and the Company respectively, USI and the Company would be interested in 70% and 30% respectively in the equity of Winnion Limited, Hong Kong (“Winnion”) and will provide financial support to Winnion in the said proportions so as to enable Winnion to carry on its business. Pursuant to approval granted by the independent shareholders of USI and the Company respectively on 9 November 2005, the issued share capital of Winnion has been restructured such that the effective equity interest of USI and the Company in Winnion are 70% and 30% respectively. The Group also acquired from USI 30% of the amount due by Winnion to USI at cost and reimbursed USI for 30% of USI’s cost of funding for the said amount. The Group’s total investment in Winnion after such acquisition is HK\$166,678,000. The USI group and the Group have entered into a shareholders’ agreement to regulate, amongst other things, their relationship as shareholders of Winnion and to provide financial support to Winnion in the said proportions.

Winnion acquired the commercial/office building at Nos. 314-324 Hennessy Road, Wan Chai, Hong Kong (“the Wanchai Property”), having a site area of approximately 7,652 square feet and a total gross floor area of about 114,023 square feet, on 20 July 2005 at a price of HK\$529 million. The sole business of Winnion is the refurbishment of the Wanchai Property with a view to enhancing its value and the holding of the Wanchai Property for investment purpose. The cost of refurbishment of the Wanchai Property is currently estimated to be about HK\$150 million.

19. Approval of accounts

The unaudited Interim Accounts on pages 1 to 16 were approved by the Directors on 15 December 2005.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's unaudited turnover for the Period was HK\$863.2 million compared to HK\$349.1 million for the corresponding six months in 2004, reporting an increase of 147.3 %. The Group's unaudited profit after tax for the Period was HK\$454.3 million, an increase of 77.8% as compared to HK\$255.5 million for the corresponding period.

The Group changed certain accounting policies in the Period following the adoption of the new/revised HKFRSs which are relevant to the Group's operations. For all changes in the Group's accounting policies taken together, the net increase in profit after tax for the Period amounted to approximately HK\$28.6 million. In particular, a gain of HK\$303.3 million, representing the increase in fair value of the Group's investment properties during the Period, has been recognized, but this has been partially offset by the cumulative revaluation surplus of investment properties sold during the Period of HK\$279.6 million not being released under the new HKAS 40.

A summary for comparing the Group's unaudited profit and loss account for the Period as prepared under the new and old accounting policies respectively is set out below:

	Prepared under the new accounting policies	Prepared under the old accounting policies	Difference
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
Turnover	863,185	863,185	—
Cost of sales	(704,201)	(424,552)	(279,649)
Gross profit	158,984	438,633	(279,649)
Increase in fair value of investment properties	303,260	—	303,260
All other profit and loss account items	48,846	45,839	3,007
Profit before taxation	511,090	484,472	26,618
Taxation	(56,742)	(58,757)	2,015
Profit for the Period	454,348	425,715	28,633
	HK\$	HK\$	HK\$
Earnings per share	1.74	1.63	0.11

The Group's adoption of the new/revised HKFRSs did not have any impact on the Group's results for the six months ended 30 September 2004.

OPERATION REVIEW

Sale of properties

Sale of the lower portion of Global Gateway (Hong Kong) in Tsuen Wan was completed at the end of August 2005. Certain units at the Regent Centre in Kwai Chung were also sold during the Period. These sales have resulted in an aggregate turnover of HK\$772.1 million, and a profit before tax for the Period of HK\$92.8 million. Under the previous accounting policies, the profit before tax on these sales would have been reported as HK\$372.4 million (including the release of the relevant revaluation surplus of HK\$279.6 million mentioned above).

For the corresponding period in 2004, sale of the Fibres and Fabrics Industrial Centre in Kwun Tong in June 2004 resulted in a turnover of HK\$250.0 million and a profit before tax of HK\$216.8 million was recognized under the old accounting policies.

Rental and property management

Turnover of the rental and property management segment for the Period was HK\$75.9 million, compared to HK\$85.8 million for the corresponding six months in 2004. The decrease is due to the smaller portfolio of investment properties held by the Group during the Period. Other than the disposal of properties mentioned in the above, units at the Regent Centre with a total gross floor area of about 72,000 sq.ft. were distributed in specie to minority shareholders at the end of March 2005. Use of the site at 102 How Ming Street, Kwun Tong as an open space car park also ceased in January 2005 to make way for site investigation. These apart, occupancy and average unit rental of the Group's investment properties have both improved during the Period. The combined effect of these factors was to reduce this segment's operating profit for the Period by about HK\$4.0 million to HK\$54.1 million. As at 30 September 2005, the overall occupancy rate of the Group's rental properties was 93%.

Warehousing

Both the Group's warehousing operation in Hong Kong and the cold storage operation in Shekou reported satisfactory results for the Period. Construction of additional storage space measuring about 11,000 sq.ft. for the warehousing of dry goods at the cold storage in Shekou was completed in September 2005.

Investments

Investment income for the Period has benefited from a second special cash dividend received from Suntec City Development Pte. Ltd., Singapore ("SCD") in respect of the Group's 5.14% interest therein. The income recognized by the Group after deducting attributable investment cost was HK\$59.8 million. Two quarterly distributions aggregating HK\$3.8 million were also received during the Period in respect of those Suntec REIT units distributed by SCD in specie to the Group last December. The operating profit for the Period of the Group's investment segment was therefore HK\$63.0 million. The Group's investments in available-for-sale financial assets are carried at valuation and a valuation decrease of HK\$20.6 million for the Period has been set off against the investment revaluation reserve.

Interest income and finance costs

During the Period, the Group applied sale proceeds to repay most of its bank borrowings and placed the balance in short term bank deposits. The continuous rise in market interest rate has also resulted in a decrease in the net interest settlement on the interest rate swap contracts entered into by the Group. All these resulted in a significant reduction in finance costs for the Period. The increase in interest income on bank deposits during the Period has also more than compensated for the reduction in interest income on project funding advanced by the Group to certain associated companies and an investee company. Interest income less finance costs for the Period, inclusive of the costs of interest rate hedges, was therefore a net income of HK\$3.4 million whereas it was a net expenses in about the same amount for the corresponding period.

Associated companies

The combined results of the Group's associated companies reported a small loss of HK\$0.5 million for the Period, due to an impairment provision made by an associated company for its fixed assets.

Changes in Group structure

In April and November 2005 respectively, independent shareholders of the Company approved the Group's acquisition of a 20% equity interest in Pangold Development Ltd. and a 30% equity interest in Winnion Ltd. These two new associated companies are the respective owners of the site at No. 157 Argyle Street, Kowloon and the commercial/office building at Nos. 314-324 Hennessy Road, Wanchai. Further particulars of the acquisitions are provided in the unaudited Interim Accounts. Apart from the above, there are no other changes in the Group's structure.

PROPERTY UNDER DEVELOPMENT

Following the arrangement of a construction loan facility of up to HK\$1,000 million, the Group has formally launched the twin-tower Grade A office development on the wholly-owned 95,940 sq.ft. site at 102 How Ming Street, Kwun Tong. The balance of the construction costs will be financed by the Group's internal resources and other banking facilities. Foundation work is in

progress and the development is scheduled for completion in the second half year of 2008. It is the Group's intention to hold the developed property for rental income upon completion.

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. Over 90% of the development has been pre-sold at an average price of about HK\$7,500 per sq.ft. Construction work is progressing to plan and is expected to be completed in the first half year of 2006.

“Draycott Eight”, Singapore

The Group has a 15% interest in this prime residential development in Singapore, located on an elevated site along Draycott Drive with just a few minutes' walk from Orchard Road. The joint venture company is applying final touches to this development, and is expected to launch the marketing of this project in the first half year of 2006.

“Kovan Melody”, Singapore

The Group has a 12% indirect interest in this condominium apartment development at Kovan Road in Singapore with a maximum permissible gross floor area of about 952,000 sq.ft. Completion is scheduled for end 2006. About 65% of the floor spaces have been pre-sold by the end of November 2005.

No. 157 Argyle Street, Kowloon

The Group has a 20% interest in this site located in Kowloon's traditional luxury residential area. The joint venture company is applying to Government for a lease modification to allow a high-rise residential development on the site.

Nos. 314-324 Hennessy Road, Wanchai

The Group has a 30% interest in this commercial/office building with a total gross floor area of about 114,000 sq.ft. The joint venture company is planning to refurbish the building into a commercial and retail property to capture the upbeat outlook for these activities in the vicinity.

EMPLOYEES

As at 30 September 2005, the Group employed a total of 210 employees, 76 of whom were based in the Shekou cold storage. 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

All the Group's financing and treasury operations are centrally managed and controlled at the corporate level.

Sales proceeds received during the Period have significantly strengthened the Group's liquidity, gearing and overall financial position. As at 30 September 2005, the Group carried a net cash surplus of HK\$571.6 million, after netting off total debts of HK\$74.4 million from the cash and bank balances of HK\$646.0 million. Shareholders' funds as at that date amounted to HK\$4,056.8 million. Based on the restated balance sheet as at 31 March 2005, the Group's gearing as at that date was 5.7% calculated as the ratio of net debts of HK\$213.4 million to shareholders' funds of HK\$3,735.0 million.

The Group's total bank borrowings have been reduced by HK\$215.2 million during the Period and stood at HK\$39.0 million as at 30 September 2005, being a single term loan denominated in Singapore dollars and repayable within the next two years. This loan is backed up by the assets and cash flow of the Group's operations in Singapore.

The Group's bank borrowings and other unutilized banking facilities are secured by certain investment properties with a total carrying amount of HK\$957.8 million as at 30 September 2005. Interest is calculated on a floating rate basis with the exception of the overdraft facilities. Interest rate swap contracts for an aggregate notional principal amount of HK\$380 million were in effect throughout the Period, and will be maintained in anticipation of the draw down of the construction loan facility for the development of 102 How Ming Street, Kwun Tong. In accordance with the Group's changed accounting policies, these contracts are now carried at fair value in the Group's balance sheet as derivative financial instruments. Their carrying amount at 30 September 2005 was HK\$2.5 million and a gain of HK\$3.9 million was recognized as other operating income for the Period.

The Group also carried other long term loans in the sum of HK\$35.4 million as at 30 September 2005, being unsecured interest-free loans with no fixed terms of repayment from the minority shareholder of a subsidiary. There were no movements during the Period.

The Group's capital commitments amounted to HK\$152.9 million as at 30 September 2005 and were all in relation to the development of 102 How Ming Street, Kwun Tong. The Group's contingent liabilities as at that date was HK\$110.1 million, being the amount of an indemnity provided to secure banking facilities granted to the Kovan Melody project. A several banking guarantee to the extent of HK\$100 million previously provided by the Group in relation to The Grandville project was released in August 2005.

OUTLOOK

With the disposal of industrial properties, changes in SCD and participation in new joint ventures in residential and commercial/office projects, the Group's assets mix has undergone significant transformation over the last 18 months. The development of 102 How Ming Street, Kwun Tong is also in progress. The benefits of the new endeavours are expected to be realized over a longer period of time, but return from the Group's other investments should begin to flow in the year 2006. Whereas the Group's rental income base has been reduced by reason of the disposals, Hong Kong's robust external trade sector has continued to lend support to the occupancy, rental and capital value of industrial properties. The Group will also continue to actively seek investment opportunities both in and outside Hong Kong. Taking the interplay of all these factors into account and barring unforeseen circumstances, the Directors are cautiously optimistic of the Group's prospects.

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 9 cents per share for the year ending 31 March 2006, payable on 9 February 2006 to all shareholders on register as at 25 January 2006. The Register of Members and the Transfer Books will be closed from 23 January 2006 to 25 January 2006, 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, 20 January 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has observed the principles and complied with all code provisions and, to the extent possible having regard to circumstances pertaining to the Company, the recommended best practices of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules throughout the Period.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) as its own code of conduct regarding Directors’ securities transactions. Following specific enquiry made by the Company, all Directors of the Company confirmed that they had complied with the required standard set out in the Model Code throughout the Period.

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 2005 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	—	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 personal interest in 0.39% and a corporate interest in 28.58% of the issued share capital of USI. Wing Tai is also interested in 21.02% 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 2005.

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 2005 the Company had 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	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 2005 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

As at 30 September 2005 there were no relevant advances made by the Group to entities which exceeded 8% of the Company's market capitalisation as at 30 September 2005 of approximately HK\$2,217,712,000 ("Market Capitalisation") based on the total number of 259,685,288 shares of the Company in issue on 30 September 2005 and the average closing price of HK\$8.54 per share for the five business days immediately preceding 30 September 2005. The disclosure requirements under rule 13.20 of the Listing Rules were therefore not applicable to the Company as at that date.

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 2005 in aggregate exceeded 8% of the Company's Market Capitalisation as at 30 September 2005. 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 2005 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
Leasehold land	260,162	52,032
Other fixed assets	44,001	10,912
Properties under development	1,211,469	242,294
Associated companies	(380,078)	(76,018)
Net current assets	70,428	14,705
Minority interests	(29,676)	(5,935)
Long term bank loans	(789,136)	(157,828)
Other long term loans	(168,887)	(33,777)
Amounts and loans due to shareholders	(585,261)	(123,238)
Amounts and loans due from shareholders	380,064	76,015
	<u>27,499</u>	<u>3,829</u>

On behalf of the Board
Cheng Wai Chee, Christopher
Chairman

Hong Kong, 15 December 2005