



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

Incorporated in the Cayman Islands with limited liability
(Stock Code: 1036)

Interim Report for the six months ended 30 September 2006

INTERIM RESULTS

The Directors are pleased to present the Group's condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six months ended 30 September 2006 (the "Period"), and the condensed consolidated balance sheet as at 30 September 2006, all of which are unaudited, along with relevant explanatory notes (collectively "Interim Accounts"). The Interim Accounts have been reviewed by the Company's Audit Committee.

Unaudited Condensed Consolidated Income Statement

For the six months ended 30 September 2006

	Note	Six months ended 30 September	
		2006 HK\$'000	2005 HK\$'000
Turnover	3	103,114	863,185
Cost of sales		<u>(47,390)</u>	<u>(704,201)</u>
Gross profit		55,724	158,984
Other income	3	21,082	74,391
Selling expenses		(1,306)	(6,534)
Administrative expenses		(16,024)	(14,547)
Increase in fair value of investment properties		340,341	303,260
Other operating income less expenses		<u>1,736</u>	<u>360</u>
		401,553	515,914
Finance costs		<u>(2,107)</u>	<u>(4,340)</u>
Operating profit	3,4	399,446	511,574
Share of profits less losses of associated companies		<u>140,470</u>	<u>(484)</u>
Profit before taxation		539,916	511,090
Taxation	5	<u>(64,348)</u>	<u>(56,742)</u>
Profit for the Period		<u>475,568</u>	<u>454,348</u>
Attributable to:			
Shareholders of the Company		474,016	452,737
Minority interests		<u>1,552</u>	<u>1,611</u>
		<u>475,568</u>	<u>454,348</u>
		HK\$	HK\$
Earnings per share	6	<u>1.83</u>	<u>1.74</u>
		HK\$'000	HK\$'000
Dividend	7	<u>25,969</u>	<u>23,372</u>

Unaudited Condensed Consolidated Balance Sheet

At 30 September 2006

	<i>Note</i>	Unaudited At 30/9/2006 HK\$'000	Audited At 31/3/2006 HK\$'000
Non-current assets			
Property, plant and equipment	9	31,346	32,091
Investment properties	10	4,399,720	4,023,360
Associated companies		397,230	240,426
Available-for-sale financial assets		237,280	213,926
Loans and receivables		53,906	155,313
Deferred tax assets		2,651	3,191
		<u>5,122,133</u>	<u>4,668,307</u>
Current assets			
Trade and other receivables	11	16,251	15,506
Financial assets at fair value through profit or loss		25,411	—
Derivative financial instruments		806	1,863
Bank balances and cash		511,122	429,790
		<u>553,590</u>	<u>447,159</u>
Current liabilities			
Trade and other payables and accruals	12	39,143	35,162
Bank loans and overdrafts	13	74,447	2,409
Tax payable		62,755	59,982
		<u>176,345</u>	<u>97,553</u>
Net current assets		<u>377,245</u>	<u>349,606</u>
Total assets less current liabilities		<u>5,499,378</u>	<u>5,017,913</u>
Non-current liabilities			
Long term bank loans	14	—	37,154
Other long term loans		35,378	35,378
Deferred tax liabilities		583,665	524,435
		<u>619,043</u>	<u>596,967</u>
Net assets		<u>4,880,335</u>	<u>4,420,946</u>
Share capital		2,596	2,596
Other reserves		947,394	914,233
Retained earnings		3,900,393	3,452,346
Proposed final dividend		—	49,340
Interim dividend declared		25,969	—
Equity attributable to shareholders of the Company		<u>4,876,352</u>	<u>4,418,515</u>
Minority interests		3,983	2,431
Total equity		<u>4,880,335</u>	<u>4,420,946</u>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2006

	Share capital	Contributed surplus	Land and buildings revaluation reserve	Investment revaluation reserve	Exchange fluctuation account	Retained earnings	Shareholders	Minority interests	Total
	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000	HKS'000
At 1 April 2006	2,596	769,080	—	166,118	(20,965)	3,501,686	4,418,515	2,431	4,420,946
Exchange translation differences	—	—	—	—	9,807	—	9,807	—	9,807
Fair value gain on available-for-sale financial assets	—	—	—	23,354	—	—	23,354	—	23,354
Net gains recognised directly in equity	—	—	—	23,354	9,807	—	33,161	—	33,161
	2,596	769,080	—	189,472	(11,158)	3,501,686	4,451,676	2,431	4,454,107
Profit for the Period	—	—	—	—	—	474,016	474,016	1,552	475,568
Dividends paid	—	—	—	—	—	(49,340)	(49,340)	—	(49,340)
At 30 September 2006	2,596	769,080	—	189,472	(11,158)	3,926,362	4,876,352	3,983	4,880,335
At 1 April 2005	2,596	839,195	28,981	228,493	(21,834)	2,656,078	3,733,509	(20)	3,733,489
Exchange translation differences	—	—	—	—	(2,289)	—	(2,289)	—	(2,289)
Transferred upon disposal of properties for sale	—	—	(28,981)	—	—	28,981	—	—	—
Fair value loss on available-for-sale financial assets	—	—	—	(20,611)	—	—	(20,611)	—	(20,611)
Realised on distribution by an unlisted investment	—	—	—	(59,776)	—	—	(59,776)	—	(59,776)
Net (losses)/gains recognised directly in equity	—	—	(28,981)	(80,387)	(2,289)	28,981	(82,676)	—	(82,676)
	2,596	839,195	—	148,106	(24,123)	2,685,059	3,650,833	(20)	3,650,813
Profit for the period	—	—	—	—	—	452,737	452,737	1,611	454,348
Dividends paid	—	(46,743)	—	—	—	—	(46,743)	—	(46,743)
At 30 September 2005	2,596	792,452	—	148,106	(24,123)	3,137,796	4,056,827	1,591	4,058,418

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2006

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Net cash from operating activities	31,436	228,625
Net cash from investing activities	55,575	602,756
Net cash used in financing activities	(14,444)	(261,957)
Effect of foreign exchange rate changes	8,777	353
Increase in cash and cash equivalents	81,344	569,777
Cash and cash equivalents at 1 April	<u>429,778</u>	<u>76,222</u>
Cash and cash equivalents at 30 September	<u>511,122</u>	<u>645,999</u>
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	<u>511,122</u>	<u>645,999</u>

Notes to the Unaudited Interim Accounts

1. General Information

Winsor Properties Holdings Limited (“the Company”) is a limited liability company incorporated under the laws of the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (“Stock Exchange”). The registered office of the Company is P.O. Box 309, Uglan House, South Church Street, George Town, Grand Cayman, Cayman Islands.

The Company and its subsidiaries (collectively known as the “Group”) are principally engaged in property investment and development and management, warehousing and investment holding.

These unaudited Interim Accounts have been approved for issue by the Board of Directors of the Company on 20 December 2006.

2. 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 Hong Kong Institute of Certified Public Accountants (“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.

These unaudited Interim Accounts should be read in conjunction with the annual financial statements for the year ended 31 March 2006.

The accounting policies and methods of computation used in the preparation of these unaudited Interim Accounts are consistent with those used in the annual financial statements for the year ended 31 March 2006 except as described below.

In the Period, the Group has applied for the first time a number of new standards, amendments and interpretations (collectively referred to as “new HKFRSs”) issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2006. The application of these new HKFRSs did not have any material impact on the results of operations and financial position of the Group.

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 May 2006. The Group has not early adopted these new standards, amendments and interpretations for the Period.

Notes to the Unaudited Interim Accounts

3. Turnover, income and segment information

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

Revenue and income recognised during the Period are as follows:

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Turnover		
Sale of investment properties and properties for sale	28,211	772,116
Rental and property management	56,506	75,881
Warehousing	18,397	15,188
	<u>103,114</u>	<u>863,185</u>
Other income		
Dividend income from		
– an unlisted investment	—	59,776
– a listed real estate investment trust	3,845	3,750
Interest income	16,503	7,721
Others	734	3,144
	<u>21,082</u>	<u>74,391</u>
	<u>124,196</u>	<u>937,576</u>

Notes to the Unaudited Interim Accounts

3. Turnover, income and segment information (continued)

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

Primary reporting format – business segments

	Six months ended 30 September 2006				
	Sale of properties	Rental and property management	Warehousing	Investment	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	<u>28,211</u>	<u>56,506</u>	<u>18,397</u>	<u>—</u>	<u>103,114</u>
Segment results before change in fair value of investment properties	4,699	42,398	3,807	4,678	55,582
Increase in fair value of investment properties	—	<u>340,341</u>	—	—	<u>340,341</u>
Segment results	<u>4,699</u>	<u>382,739</u>	<u>3,807</u>	<u>4,678</u>	<u>395,923</u>
Unallocated income less expenses					<u>(10,873)</u>
Operating profit before interest					<u>385,050</u>
Interest income less finance costs					<u>14,396</u>
Operating profit					<u>399,446</u>
Share of profits less losses of associated companies	—	174	—	140,296	<u>140,470</u>
Profit before taxation					<u>539,916</u>
Taxation					<u>(64,348)</u>
Profit for the Period					<u>475,568</u>

	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	<u>772,116</u>	<u>75,881</u>	<u>15,188</u>	<u>—</u>	<u>863,185</u>
Segment results before change in fair value of investment properties	92,815	54,054	2,136	62,953	211,958
Increase in fair value of investment properties	—	<u>303,260</u>	—	—	<u>303,260</u>
Segment results	<u>92,815</u>	<u>357,314</u>	<u>2,136</u>	<u>62,953</u>	<u>515,218</u>
Unallocated income less expenses					<u>(7,025)</u>
Operating profit before interest					<u>508,193</u>
Interest income less finance costs					<u>3,381</u>
Operating profit					<u>511,574</u>
Share of profits less losses of associated companies	—	214	—	(698)	<u>(484)</u>
Profit before taxation					<u>511,090</u>
Taxation					<u>(56,742)</u>
Profit for the period					<u>454,348</u>

Notes to the Unaudited Interim Accounts

3. Turnover, income and segment information (continued)

Secondary reporting format – geographical segments

	Six months ended 30 September			
	Turnover		Segment results	
	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	91,496	853,928	388,222	450,448
Singapore	1,682	1,563	4,835	63,638
Mainland China	9,936	7,694	2,866	1,132
	<u>103,114</u>	<u>863,185</u>	<u>395,923</u>	<u>515,218</u>
Unallocated income less expenses			<u>(10,873)</u>	<u>(7,025)</u>
Operating profit before interest			<u>385,050</u>	508,193
Interest income less finance costs			<u>14,396</u>	<u>3,381</u>
Operating profit			<u>399,446</u>	<u>511,574</u>

4. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Crediting:		
Gross rental income from investment properties	53,163	72,628
Gain on disposal of investment properties and properties for sale	4,699	92,815
Realised gain on disposal of financial assets at fair value through profit or loss	3,537	—
Exchange gain	<u>1,775</u>	<u>—</u>
Charging:		
Depreciation of property, plant and equipment	1,717	1,577
Staff costs	14,894	14,903
Outgoings in respect of investment properties	12,881	21,802
Operating leases – land and buildings	3,434	3,231
Fair value loss on financial assets at fair value through profit or loss	2,007	—
Exchange loss	<u>—</u>	<u>174</u>

Notes to the Unaudited Interim Accounts

5. Taxation

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	(4,635)	(52,982)
Overseas taxation	(90)	(761)
Over/(under) provisions in prior years	146	(4,646)
Deferred taxation (charge)/credit	<u>(59,769)</u>	<u>1,647</u>
Taxation charges	<u>(64,348)</u>	<u>(56,742)</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 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.

6. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company of HK\$474,016,000 (2005: HK\$452,737,000) and 259,685,288 (2005: 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 2006 (2005: Nil).

7. Dividend

	Six months ended 30 September	
	2006	2005
	HK\$'000	HK\$'000
Interim dividend, declared of HK\$0.10 (2005: HK\$0.09) per share	<u>25,969</u>	<u>23,372</u>

At a meeting held on 20 December 2006, the Directors declared an interim dividend of HK\$0.10 per share for the year ending 31 March 2007. This interim dividend declared is not reflected as a dividend payable in the Interim Accounts, but will be reflected as an appropriation of reserves for the six months ending 31 March 2007.

Notes to the Interim Accounts

8. Significant related party transactions

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	
	2006	2005
	HK\$'000	HK\$'000
Management fee income from related companies (<i>Note i</i>)	137	137
Interest income from an investee company	194	1,642
Interest income from associated companies	6,716	1,422
Project management fee to a related company and capitalised in investment properties (<i>Note ii</i>)	<u>(900)</u>	<u>(450)</u>

(i) The management fee income was charged at rates pursuant to the agreements entered into between the Group and the related companies.

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

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

	At 30/9/2006	At 31/3/2006
	HK\$'000	HK\$'000
Amounts and loans due from associated companies	327,610	311,312
Amounts and loans due to associated companies	(77,915)	(77,915)
Amounts and loans due from an investee company	<u>53,905</u>	<u>155,313</u>

The amounts and loans due from/to associated companies are unsecured and have no fixed terms of repayment. Except for an aggregate amount of HK\$15,559,000 (31/3/2006: HK\$9,019,000) which is interest free, the amounts and loans due from/to associated companies carry interests at prevailing market interest rates or at fixed rates as agreed between the mutual parties.

As at 30 September 2006, the amounts and loans due from the investee company are interest free. As at 31 March 2006, except for an amount of HK\$18,398,000 which bore interest at 6.25% per annum, the remaining balance was all interest free.

9. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment of HK\$1,206,000 (2005: HK\$1,497,000) and disposed of property, plant and equipment with an aggregate net book value of HK\$237,000 (2005: HK\$42,000).

10. Investment properties

During the Period, an aggregate amount of HK\$57,379,000 (2005: HK\$10,511,000) was capitalized in investment properties and investment properties with a carrying amount of HK\$23,160,000 (2005: HK\$545,950,000) were disposed of.

Investment properties are stated at open market value as at 30 September 2006. 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.

Notes to the Unaudited Interim Accounts

11. Trade and other receivables

Included in trade and other receivables are trade receivables which represent mainly rent receivables 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 receivables (net of provisions) is as follows:

	At 30/9/2006 HK\$'000	At 31/3/2006 HK\$'000
Current – 45 days	6,865	4,826
46 – 90 days	1,189	1,541
Over 90 days	561	736
	<u>8,615</u>	<u>7,103</u>

12. Trade and other payables and accruals

Included in trade and other payables and accruals are trade payables. The ageing analysis of trade payables is as follows:

	At 30/9/2006 HK\$'000	At 31/3/2006 HK\$'000
Current – 45 days	1,159	1,514
46 – 90 days	362	143
	<u>1,521</u>	<u>1,657</u>

13. Bank loans and overdrafts

	At 30/9/2006 HK\$'000	At 31/3/2006 HK\$'000
Secured and repayable on demand	35,135	12
Current portion of long term bank loans (<i>Note 14</i>)	39,312	2,397
	<u>74,447</u>	<u>2,409</u>

Short term bank loans are denominated in Singapore dollars and are secured by certain available-for-sale financial assets with a carrying amount of HK\$170,769,000 (*31/3/2006: Not Applicable*). The short term bank loans have an average effective interest rate of 4.45% per annum (*31/3/2006: Not applicable*).

Notes to the Unaudited Interim Accounts

14. Long term bank loans

	At 30/9/2006 HK\$'000	At 31/3/2006 HK\$'000
Secured — wholly repayable within five years	39,312	39,551
Less: Amount repayable within one year included under current liabilities (<i>Note 13</i>)	<u>(39,312)</u>	<u>(2,397)</u>
	<u>—</u>	<u>37,154</u>
The long term bank loans are repayable as follows:		
Within one year	39,312	2,397
In the second year	<u>—</u>	<u>37,154</u>
	<u>39,312</u>	<u>39,551</u>

All the long term bank loans are denominated in Singapore dollars. Certain investment properties with a carrying amount of HK\$1,202,980,000 at 30 September 2006 (*31/3/2006: HK\$1,150,900,000*) have been mortgaged to secure the Group's long term bank loans.

The long term bank loans have an average effective interest rate of 4.64% (*31/3/2006: 4.69%*) per annum. The carrying values of the long term bank loans approximate their fair values.

15. Capital commitments

	At 30/9/2006 HK\$'000	At 31/3/2006 HK\$'000
Investment properties		
Contracted but not provided for	<u>44,661</u>	<u>98,499</u>
Investments in associated companies		
Contracted but not provided for	<u>546,514</u>	<u>544,351</u>
	<u>591,175</u>	<u>642,850</u>

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 30/9/2006 HK\$'000	At 31/3/2006 HK\$'000
Not later than one year	6,468	6,418
Later than one year and not later than five years	<u>2,800</u>	<u>5,200</u>
	<u>9,268</u>	<u>11,618</u>

Notes to the Unaudited Interim Accounts

17. Contingent liabilities

	At 30/9/2006 HK\$'000	At 31/3/2006 HK\$'000
Guarantees and completion undertakings given in respect of banking facilities granted to associated companies in proportion to the Group's 30% equity interest	509,468	—
Indemnity given in respect of banking facilities granted to an investee company in proportion to the Group's 12% effective equity interest	<u>117,936</u>	<u>115,056</u>
	<u>627,404</u>	<u>115,056</u>

18. Approval of accounts

The Interim Accounts on pages 1 to 13 were approved by the Directors on 20 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Group's unaudited turnover for the Period was HK\$103.1 million, compared to HK\$863.2 million for the corresponding six months in 2005. The decrease was wholly due to the sale of the lower portion of Global Gateway (Hong Kong) in Tsuen Wan on 31 August 2005 and the rental income of the said property for the 5 months ended on that date. The Group's unaudited profit after tax for the Period was HK\$475.6 million, an increase of 4.7% compared to HK\$454.3 million for the comparative period. The profit components are quite different for the two periods in comparison and will be analysed below.

Sale of Properties

15 units at the Regent Centre in Kwai Chung were sold during the Period resulting in an aggregate turnover of HK\$28.2 million and a segment profit of HK\$4.7 million for the Period. For the corresponding six months in 2005, the lower portion of Global Gateway (Hong Kong) was sold for HK\$750 million and other units at the Regent Centre were sold for HK\$22.1 million, generating in aggregate a turnover of HK\$772.1 million and a segment profit of HK\$92.8 million.

Rental and Property Management

Excluding the change in fair value of investment properties, turnover and segment profit of the rental and property management segment was HK\$56.5 million and HK\$42.4 million respectively for the Period, compared to HK\$75.9 million and HK\$54.1 million respectively for the corresponding six months in 2005. Isolating the amounts attributable to the lower portion of Global Gateway (Hong Kong) sold in 2005 for a comparison on the same basis, both the turnover and profit of this segment have indeed improved by 7.6% and 12.9% respectively in the Period. As at 30 September 2006, the overall occupancy rate of the Group's rental properties was 95.3%.

Warehousing

Both the Group's warehousing operation in Hong Kong and the cold storage operation in Shekou reported satisfactory growth in turnover and profit for the Period.

Investments

The profit of the Group's investment segment for the Period was HK\$4.7 million, of which HK\$3.8 million represented distribution received from the Suntec REIT units held for the long term and the balance was derived mainly from investments under the Group's treasury activities. The Group's investment profit for the corresponding six months in 2005 amounted to HK\$63.0 million which included an income of HK\$59.8 million arising from a special cash dividend received from Suntec City Development Pte. Ltd., Singapore in respect of the Group's 5.14% interest therein.

The Group's investments are carried at fair value. Change in the fair value of short term investments has been recognised in the income statement. The gain of HK\$23.4 million in the fair value of long term investments during the Period was mainly attributable to the Suntec REIT units held and has been credited to the Group's investment valuation reserve.

Increase in fair value of investment properties

The increase in fair value in the sum of HK\$340.3 million arising from a valuation of the Group's investment properties as at 30 September 2006 has been recognised in the Group's income statement for the Period. After netting off the deferred taxation arising therefrom, the increase in fair value of investment properties accounted for HK\$280.8 million of the Group's profit after taxation for the Period. In comparison, the increase in fair value of investment properties accounted for HK\$303.3 million of the Group's profit before taxation and HK\$250.2 million of the Group's profit after taxation respectively for the corresponding six months in 2005.

Interest income and finance costs

The Group maintained a net cash surplus throughout the Period, whereas in the comparative period a net cash surplus was enabled for only one month after receipt of the sales proceeds of the lower portion of Global Gateway (Hong Kong) at the end of August 2005. Interest income less finance costs for the Period therefore netted HK\$14.4 million, as compared to the net amount of HK\$3.4 million for the corresponding six months in 2005.

Associated Companies

The Group has a 20% equity interest in Universal Plus Limited, which in turn has a 50% equity interest in Landyork Investment Limited, the developer of The Grandville, a luxury residential development in Shatin. The certificate of compliance for the development was issued in July 2006. Based on the profit recognised by Universal Plus Limited for the units sold, the amount attributable to the Group in the sum of HK\$140.4 million was recognised by the Group during the Period. Together with net contribution from other associated companies, the Group's share of the results of associated companies for the Period was a profit of HK\$140.5 million, compared to a small loss of HK\$0.5 million for the corresponding six months in 2005.

Changes in Group Structure

Apart from the acquisition of two shelf companies to serve as the Group's vehicles for future investment, there were no other changes to the Group's structure during the Period.

PROJECT PROGRESS

Office development at 102 How Ming Street, Hong Kong

This twin-tower office development in Kwun Tong wholly owned by the Group will provide about 1.2 million square feet of grade A office space upon its scheduled completion in the second half year of 2008. Foundation work has been completed and the site was handed over to the main contractor in mid November 2006. Subject to the award of nominated sub-contracts and after providing for contingencies, total construction costs are estimated at about HK\$1,695 million. It is the Group's intention to hold the developed property for rental income upon completion.

"The Grandville", Hong Kong

Profit attributable to the Group in respect of units sold has been recognized in the Period as reported in the foregoing. There are about 10% of floor spaces remaining and which will be re-launched when market conditions are suitable.

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 in negotiation of the modification premium, having agreed with Government on the basic terms of lease modification to allow a high-rise residential development on the site with a total gross floor area of about 90,000 square feet.

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 square feet. The building is being renovated with a view to create a new landmark in the area offering upscale retail and grade A office spaces. The renovation is expected to be completed in 2007.

"Draycott 8", Singapore

The Group has a 15% interest in this completed prime residential development comprising 136 units with floor areas ranging from 1,200 to 4,200 square feet approximately. Over 80% of the units and the floor spaces have been sold and it is expected that a healthy attributable profit will be recognised by the Group in the next financial year.

"Kovan Melody", Singapore

The Group has a 12% indirect interest in this condominium apartment development with a total gross floor area of about 952,000 square feet. About 75% of the units have been pre-sold and handover to purchasers is scheduled for the first quarter of the year 2007.

"Belle Vue", Singapore

The Group has a 30% interest in this luxury residential development having a site area of about 244,000 square feet and a maximum allowable gross floor area of about 341,000 square feet. The expected completion date has been re-scheduled to the first half of the year 2010.

EMPLOYEES

As at 30 September 2006 the Group employed a total of 214 employees, 73 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.

Liquidity

As at 30 September 2006, the Group carried a net cash surplus of HK\$401.3 million, after netting off total debts of HK\$109.8 million from the cash and bank balances of HK\$511.1 million. As part of the Group's treasury operations, the Group also carried short term investments with a fair value of HK\$25.4 million as at 30 September 2006. In comparison, the Group's net cash surplus as at 31 March 2006 was HK\$354.8 million and no short term investments were held as at that date.

Bank Borrowings

The Group's total bank borrowings have increased by HK\$34.8 million during the Period and stood at HK\$74.4 million as at 30 September 2006. These bank borrowings were all denominated in Singapore dollars, repayable within the next 12 months, and were backed up by the assets and cash flow of the Group's operations in Singapore. The Group's bank borrowings and other unutilized general banking facilities as at 30 September 2006 were secured by certain investment properties with a total carrying amount of HK\$1,203.0 million as at that date.

Documentation of a construction loan facility to the extent of HK\$1,000 million for the office development at 102 How Ming Street was completed at the end of October 2006. A building mortgage of the site has been executed in favour of the lending bank. The balance of the construction costs will be financed by the Group's internal resources and other banking facilities.

Interest on the Group's bank borrowings is calculated on a floating rate basis. With the expiry of two contracts for a total of HK\$80 million during the Period, interest rate swap contracts for an aggregate notional principal amount of HK\$300 million were in effect as at 30 September 2006. These contracts are carried at fair value in the Group's balance sheet as derivative financial instruments. The carrying amount as at 30 September 2006 was HK\$0.8 million. There were further expiries in October 2006 and the aggregate notional principal amount now outstanding is HK\$100 million.

Other Borrowings

The Group also carried other long term loans in the sum of HK\$35.4 million as at 30 September 2006, being unsecured interest-free loans with no fixed terms of repayment from the minority shareholders of two subsidiaries. There were no movements during the Period.

Capital Commitments

As at 30 September 2006, the Group's contracted capital commitments in respect of the development of 102 How Ming Street was HK\$44.7 million, and were all in relation to the professional fees and foundation works. These, together with other development costs to be incurred, will be financed partly by the construction loan facility and partly by the Group's internal resources and other banking facilities as mentioned in the foregoing.

The Group's capital commitments in respect of investments in associated companies aggregated HK\$546.5 million as at 30 September 2006. These comprised HK\$153.5 million committed to the 30% owned Winnion Ltd. in relation to the acquisition and renovation costs of Nos. 314-324 Hennessy Road, Hong Kong, and HK\$393.0 million committed to the 30% owned Winquest Investment Pte. Ltd. in relation to the development costs of the Belle Vue project in Singapore. Since these 2 associated companies have already arranged bank facilities to finance the major portions of their said costs respectively, it is not expected that these capital commitments will be called to any significant extent during the subsistence of the bank facilities.

Contingent Liabilities

The Group's contingent liabilities as at 30 September 2006 were HK\$627.4 million, being the aggregate amount of guarantees, completion undertakings and indemnities provided on a several basis and in proportion to the Group's respective equity interest to secure banking facilities granted towards the Nos. 314-324 Hennessy Road, Kovan Melody and Belle Vue projects.

OUTLOOK

On the back of a continuing optimistic outlook for the warehouse and industrial property market in Hong Kong, there is further room for rental growth of the Group's existing property portfolio in Hong Kong. There will be further contribution from The Grandville upon re-launch of the remaining floor spaces, the timing of which is yet to be determined. Returns from the Group's investments in Draycott 8, Kovan Melody and Nos. 314-324 Hennessy Road are expected to flow in as from the next financial year. Development of 102 How Ming Street is progressing on schedule. Further down the pipeline are the Group's investments in 157 Argyle Street and the Belle Vue. The Group is also continuing to seek investment opportunities both in and outside Hong Kong. Barring unforeseen circumstances, the Directors are cautiously optimistic in respect 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 10 cents per share for the year ending 31 March 2007, payable on 8 February 2007 to all shareholders on register as at 24 January 2007. The Register of Members and the Transfer Books will be closed from 22 January 2007 to 24 January 2007, 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, 19 January 2007.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct for securities transactions by Directors of the Company.

The Company has made specific enquiry of all Directors regarding any non-compliance with the Model Code during the Period, and received confirmation from all Directors that they had fully complied with the required standard set out in the Model Code throughout the Period.

AUDIT COMMITTEE

The Audit Committee has reviewed with management the Group's results for the Period, the accounting policies 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.

The Scheme has expired on 10 October 2006. 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 as at 30 September 2006 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		
Mr. Cheng Wai Chee, Christopher <i>(Note)</i>	—	27,000	—	71,790,500	71,817,500	27.66%
Mr. Chow Wai Wai, John	2,713,000	—	—	—	2,713,000	1.04%
Mr. Cheng Wai Sun, Edward <i>(Note)</i>	—	—	—	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%

Note:

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”.

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) as at 30 September 2006.

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 as at 30 September 2006 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	26,968,000	39,937,963	15.38%
Mrs. Chou Yim Wan Chun, Ina	(Note 3)	2,736,088	37,201,875	—	39,937,963	15.38%
Mr. Chow Chung Kai	(Notes 2 & 4)	12,864,665	9,000	26,968,000	39,841,665	15.34%
Mrs. Chow Yu Yue Chen	(Note 4)	9,000	39,832,665	—	39,841,665	15.34%
Twin Dragon Investments Limited		38,900,887	—	—	38,900,887	14.98%
USI Holdings (B.V.I.) Limited	(Note 5)	—	—	38,991,387	38,991,387	15.01%
USI Holdings Limited	(Note 5)	—	—	38,991,387	38,991,387	15.01%
Gala Land Investment Co. Limited		26,968,000	—	—	26,968,000	10.38%
Farnham Group Limited	(Note 2)	—	—	26,968,000	26,968,000	10.38%

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 38,991,387 shares in the Company, 38,900,887 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 Holdings Limited. 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 Holdings Limited 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 2006 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 2006 there were no relevant advances made by the Group to entities which exceeded 8% of the Group's total assets as at 30 September 2006 of approximately HK\$5,675,723,000. The disclosure requirements under rule 13.20 of the Listing Rules were therefore not applicable to the Company as at that date.

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 2006 in aggregate exceeded 8% of the Group's total assets as at 30 September 2006. In accordance with rule 13.22 of the Listing Rules, the combined balance sheet of the Group's affiliated companies as at 30 September 2006 and the Group's attributable interest therein are set out below:

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Investment properties	14,413	4,667
Leasehold land	729,381	193,110
Other property, plant and equipment	42,899	10,639
Properties under development	2,771,730	684,446
Associated companies	312,254	62,448
Net current liabilities	(92,314)	(22,719)
Minority interests	(50,233)	(10,047)
Long term bank loans	(1,820,130)	(473,804)
Other long term loans	(227,395)	(45,479)
Deferred tax liabilities	(30,145)	(6,032)
Amounts and loans due to shareholders	(1,297,856)	(327,610)
Amounts and loans due from shareholders	<u>389,564</u>	<u>77,915</u>
	<u>742,168</u>	<u>147,534</u>

On behalf of the Board
Cheng Wai Chee, Christopher
Chairman

Hong Kong, 20 December 2006