



WINSOR PROPERTIES HOLDINGS LIMITED
Incorporated in the Cayman Islands with limited liability

南 聯 地 產 控 股 有 限 公 司

開 曼 群 島 註 冊 成 立 之 有 限 公 司

Stock Code : 1036

Interim Report

for the six months ended 30 September 2007

CORPORATE INFORMATION

Board of Directors

CHENG Wai Chee, Christopher, GBS, JP ^{☆#} *Chairman*
CHOW Wai Wai, John *Managing Director*
Lord SANDBERG, CBE [★]
Christopher Patrick LANGLEY, OBE [★]
LO Ka Shui, GBS, JP [★]
Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP [★]
CHENG Wai Sun, Edward, SBS, JP ^{☆#}
TANG Ming Chien, Manning [☆]
LAM Woon Bun
CHEN CHOU Mei Mei, Vivien
CHUNG Hon Sing, John
AU Hing Lun, Dennis

[★]*Independent Non-Executive Director*

[☆]*Non-Executive Director*

[#]*Alternate: FUNG Ching Man, Janet*

Audit Committee

Christopher Patrick LANGLEY, OBE *Chairman*
Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP
CHENG Wai Chee, Christopher, GBS, JP [#]

[#]*Alternate: FUNG Ching Man, Janet*

Remuneration Committee

Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP *Chairman*
Christopher Patrick LANGLEY, OBE
CHOW Wai Wai, John

Nomination Committee

LO Ka Shui, GBS, JP *Chairman*
Haider Hatam Tyebjee BARMA, GBS, CBE, ISO, JP [▲]
CHENG Wai Chee, Christopher, GBS, JP

[▲]*Alternate: Christopher Patrick LANGLEY, OBE*

Company Secretary and Group Legal Counsel

TAM Chong Cheong, Aaron

Auditor

PricewaterhouseCoopers

Solicitors

Knight & Ho

Bankers

The Hongkong and Shanghai Banking Corporation Limited

Registered Office

P. O. Box 309, Ugland House, South Church Street,
George Town, Grand Cayman, Cayman Islands.

Principal Place of Business

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Tsimshatsui East, Kowloon, Hong Kong.
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Website: <http://www.winsorprop.com>

Hong Kong Share Registrars and Transfer Office

Computershare Hong Kong Investor Services Limited,
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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 2007 (the "Period"), and the condensed consolidated balance sheet as at 30 September 2007, 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 2007

		Six months ended 30 September	
		2007	2006
	Note	HK\$'000	HK\$'000
Revenue	3	77,241	103,114
Cost of sales		<u>(23,995)</u>	<u>(47,390)</u>
Gross profit		53,246	55,724
Other income	3	23,829	11,489
Selling expenses		(938)	(1,306)
Administrative expenses		(17,743)	(16,024)
Increase in fair value of investment properties		209,529	340,341
Other gains, net	4	127,859	1,854
Other operating expenses		<u>(588)</u>	<u>(668)</u>
		395,194	391,410
Finance income		15,860	10,143
Finance costs		<u>(98)</u>	<u>(2,107)</u>
Operating profit	3,5	410,956	399,446
Share of profits less losses of associated companies		<u>23,792</u>	<u>140,470</u>
Profit before taxation		434,748	539,916
Taxation	6	<u>(66,037)</u>	<u>(64,348)</u>
Profit for the Period		<u>368,711</u>	<u>475,568</u>
Attributable to:			
Shareholders of the Company		365,408	474,016
Minority interests		<u>3,303</u>	<u>1,552</u>
		<u>368,711</u>	<u>475,568</u>
		HK\$	HK\$
Earnings per share	7	<u>1.41</u>	<u>1.83</u>
		HK\$'000	HK\$'000
Dividend	8	<u>31,162</u>	<u>25,969</u>

Unaudited Condensed Consolidated Balance Sheet

At 30 September 2007

		Unaudited At 30/9/2007 HK\$'000	Audited At 31/3/2007 HK\$'000
	Note		
Non-current assets			
Property, plant and equipment	10	31,874	31,638
Investment properties	11	5,074,300	4,665,300
Associated companies		406,308	409,821
Available-for-sale financial assets		485,173	490,448
Loans and receivables		—	16
Deferred tax assets		1,165	1,597
		<u>5,998,820</u>	<u>5,598,820</u>
Current assets			
Trade and other receivables	12	20,158	13,726
Financial assets at fair value through profit or loss		41,906	35,743
Derivative financial instruments		8,056	—
Bank balances and cash		642,972	601,627
		<u>713,092</u>	<u>651,096</u>
Current liabilities			
Trade and other payables and accruals	13	94,412	66,687
Derivative financial instruments		—	3,983
Bank loans and overdrafts	14	—	171
Tax payable		66,456	40,638
		<u>160,868</u>	<u>111,479</u>
Net current assets		<u>552,224</u>	<u>539,617</u>
Total assets less current liabilities		<u>6,551,044</u>	<u>6,138,437</u>
Non-current liabilities			
Long term bank loans	15	182,617	100,381
Other long term loans		35,275	35,308
Deferred tax liabilities		666,767	629,475
		<u>884,659</u>	<u>765,164</u>
Net assets		<u>5,666,385</u>	<u>5,373,273</u>
Share capital		2,596	2,596
Other reserves		1,128,520	1,126,133
Retained earnings		4,486,354	4,152,108
Proposed final dividend		—	77,905
Interim dividend declared		31,162	—
Equity attributable to shareholders of the Company		<u>5,648,632</u>	<u>5,358,742</u>
Minority interests		17,753	14,531
Total equity		<u>5,666,385</u>	<u>5,373,273</u>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2007

	Share capital HK\$'000	Contributed surplus HK\$'000	Investment revaluation reserve HK\$'000	Exchange fluctuation account HK\$'000	Other reserve HK\$'000	Retained earnings HK\$'000	Shareholders HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1 April 2007	2,596	769,080	361,415	(4,475)	113	4,230,013	5,358,742	14,531	5,373,273
Exchange translation differences	—	—	—	4,108	—	—	4,108	41	4,149
Realised on disposal of available-for-sale financial assets	—	—	(3,036)	—	—	—	(3,036)	(160)	(3,196)
Fair value gain on available-for-sale financial assets	—	—	1,346	—	—	—	1,346	38	1,384
Share of reserves of an associate	—	—	—	—	(31)	—	(31)	—	(31)
Net gains/(losses) recognised directly in equity	—	—	(1,690)	4,108	(31)	—	2,387	(81)	2,306
	2,596	769,080	359,725	(367)	82	4,230,013	5,361,129	14,450	5,375,579
Profit for the Period	—	—	—	—	—	365,408	365,408	3,303	368,711
Dividends paid	—	—	—	—	—	(77,905)	(77,905)	—	(77,905)
At 30 September 2007	2,596	769,080	359,725	(367)	82	4,517,516	5,648,632	17,753	5,666,385
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

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 September 2007

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Net cash from operating activities	31,491	31,436
Net cash from investing activities	3,061	55,575
Net cash from / (used in) financing activities	4,297	(14,444)
Effect of foreign exchange rate changes	2,667	8,777
Net increase in cash and cash equivalents	41,516	81,344
Cash and cash equivalents at 1 April	601,456	429,778
Cash and cash equivalents at 30 September	642,972	511,122
Analysis of the balances of cash and cash equivalents		
Bank deposits balances and cash	642,972	511,122

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, Ugland 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 management, warehousing and investment holding. The Group is also involved from time to time in property development activities.

These unaudited Interim Accounts have been approved for issue by the Board of Directors of the Company on 13 December 2007.

2. Basis of preparation and accounting policies

The 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.

The Interim Accounts should be read in conjunction with the Company’s annual financial statements for the year ended 31 March 2007.

The accounting policies and methods of computation used in the preparation of the Interim Accounts are consistent with those used in the Company’s annual financial statements for the year ended 31 March 2007 except as described below.

In the Period, the Group has adopted the following new/revised accounting standards and interpretations of Hong Kong Financial Reporting Standards (“HKFRS”) issued by HKICPA that are effective for accounting periods beginning on or after 1 January 2007:

- Amendment to HKAS 1 “Presentation of Financial Statements – Capital Disclosures”
- HKFRS 7 “Financial Instruments – Disclosures”
- HK(IFRIC) – Int 8 “Scope of HKFRS 2”
- HK(IFRIC) – Int 9 “Reassessment of Embedded Derivatives”
- HK(IFRIC) – Int 10 “Interim Financial Reporting and Impairment”

The adoption of these new/revised standards and interpretations has no significant impact to the Group’s accounting policies, interim results and financial position, whereas the adoption of Amendment to HKAS 1 and HKFRS 7 requires additional disclosures to be made the annual financial statements.

The Group has not adopted the following new or revised standards and interpretations that have been issued but are not effective for the Period:

- HKAS 23 (Revised) – “Borrowing costs”
- HKFRS 8 – “Operating segments”

The Directors anticipate that the adoption of these standards and interpretations will not result in substantial changes to the Group’s accounting policies.

Notes to the Unaudited Interim Accounts

3. Revenue, income and segment information

Revenue and other income recognised during the Period are as follows:

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Revenue		
Sale of investment properties	—	28,211
Rental and property management	60,313	56,506
Warehousing	16,928	18,397
	<u>77,241</u>	<u>103,114</u>
Other income		
Dividend income from		
– an unlisted investment	8,921	—
– listed real estate investment trusts	6,140	3,845
Interest income on loans to		
– an investee company	—	194
– associated companies	7,737	6,716
Others	1,031	734
	<u>23,829</u>	<u>11,489</u>
	<u>101,070</u>	<u>114,603</u>

Notes to the Unaudited Interim Accounts

3. Revenue, income and segment information (continued)

Primary reporting format – business segments

	Six months ended 30 September 2007				
	Sale of properties	Rental and property management	Warehousing	Investment	Group
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	—	60,313	16,928	—	77,241
Segment results before change in fair value of investment properties	—	46,525	2,980	126,351	175,856
Increase in fair value of investment properties	—	209,529	—	—	209,529
Segment results	—	256,054	2,980	126,351	385,385
Unallocated income less expenses					9,809
Operating profit before finance income and costs					395,194
Finance income					15,860
Finance costs					(98)
Operating profit					410,956
Share of profits less losses of associated companies	24,276	(484)	—	—	23,792
Profit before taxation					434,748
Taxation					(66,037)
Profit for the Period					368,711

	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
Revenue	28,211	56,506	18,397	—	103,114
Segment results before change in fair value of investment properties	4,699	42,398	3,807	4,128	55,032
Increase in fair value of investment properties	—	340,341	—	—	340,341
Segment results	4,699	382,739	3,807	4,128	395,373
Unallocated income less expenses					(3,963)
Operating profit before finance income and costs					391,410
Finance income					10,143
Finance costs					(2,107)
Operating profit					399,446
Share of profits less losses of associated companies	140,430	40	—	—	140,470
Profit before taxation					539,916
Taxation					(64,348)
Profit for the period					475,568

Notes to the Unaudited Interim Accounts

3. Revenue, income and segment information *(continued)*

Secondary reporting format – geographical segments

	Six months ended 30 September			
	Revenue		Segment results	
	2007 HK\$'000	2006 HK\$'000	2007 HK\$'000	2006 HK\$'000
Hong Kong	67,741	91,496	259,590	387,672
Singapore	1,798	1,682	118,490	4,835
Mainland China	7,702	9,936	7,305	2,866
	77,241	103,114	385,385	395,373
Unallocated income less expenses			9,809	(3,963)
Operating profit before finance income and costs			395,194	391,410
Finance income			15,860	10,143
Finance costs			(98)	(2,107)
Operating profit			410,956	399,446

4. Other gains, net

	Six months ended 30 September	
	2007 HK\$'000	2006 HK\$'000
Financial assets at fair value through profit or loss		
— realised gains	198	2,987
— fair value gains / (loss)	2,077	(2,007)
Realised gains on available-for-sale financial assets	109,893	—
Net foreign exchange gain	3,120	1,775
Fair value gain / (loss) on derivative financial instruments	12,371	(1,058)
Gain on disposal of plant and equipment	193	298
Others	7	(141)
	127,859	1,854

Notes to the Unaudited Interim Accounts

5. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Crediting:		
Gross rental income from investment properties	58,586	53,163
Net gain on disposal of investment properties	—	4,699
	<u>58,586</u>	<u>57,862</u>
Charging:		
Depreciation of property, plant and equipment	1,762	1,717
Staff costs	15,111	14,894
Outgoings in respect of investment properties	13,921	12,881
Operating leases rentals in respect of land and buildings	3,512	3,434
	<u>33,206</u>	<u>32,926</u>

6. Taxation

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Current taxation:		
Hong Kong profits tax	(8,445)	(4,635)
Overseas taxation	(19,868)	(90)
Over provisions in prior years	—	146
	<u>(28,313)</u>	<u>(4,579)</u>
Deferred taxation	(37,724)	(59,769)
Taxation charges	<u>(66,037)</u>	<u>(64,348)</u>

Hong Kong profits tax has been provided at the rate of 17.5% (2006: 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.

7. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company of HK\$365,408,000 (2006: HK\$474,016,000) and 259,685,288 (2006: 259,685,288) shares in issue during the Period.

Diluted earnings per share equals the basic earnings per share as the Company has no dilutive potential shares in issue during the Period (2006: Nil).

Notes to the Unaudited Interim Accounts

8. Dividend

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Interim dividend, declared, of HK\$0.12 (2006: HK\$0.10) per share	<u>31,162</u>	<u>25,969</u>

At a meeting held on 13 December 2007, the Directors declared an interim dividend of HK\$0.12 per share for the nine months ending 31 December 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 in the year ending 31 December 2008.

9. 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) Transactions with related parties

	Six months ended 30 September	
	2007	2006
	HK\$'000	HK\$'000
Management fee income from related companies (Note i)	76	137
Interest income from an investee company	—	194
Interest income from associated companies	7,737	6,716
Project management fee to a related company and capitalised in investment properties (Note ii)	<u>(900)</u>	<u>(900)</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) Balances with related parties

	At 30/9/2007	At 31/3/2007
	HK\$'000	HK\$'000
Amounts and loans due from associated companies	353,905	346,583
Amounts and loans due to associated companies	(153,373)	(118,416)
Amounts and loans due from an investee company	<u>—</u>	<u>16</u>

The amounts and loans due from associated companies are unsecured and have no fixed terms of repayment. Except for an aggregate amount due from associated companies of HK\$9,019,000 (31/3/2007: HK\$9,019,000) which is interest free, the amounts and loans due from associated companies carry interests at prevailing market interest rates or at fixed rates as agreed between the mutual parties.

The amounts and loans due to associated companies are unsecured, interest free and have no fixed term of repayment.

Notes to the Interim Accounts

10. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment of HK\$1,223,000 (2006: HK\$1,206,000) and disposed of property, plant and equipment with an aggregate net book value of HK\$22,000 (2006: HK\$237,000).

11. Investment properties

During the Period, an aggregate amount of HK\$199,471,000 (2006: HK\$57,379,000) was capitalized in investment properties. There were no disposal of investment properties during the Period (2006: HK\$23,160,000).

Investment properties are stated at open market value as at 30 September 2007. 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.

12. Trade and other receivables

	At 30/9/2007 HK\$'000	At 31/3/2007 HK\$'000
Trade receivable, net of provisions	8,067	6,280
Other receivables	3,180	2,458
Deposits	7,262	3,537
Prepayments	1,649	1,451
	<u>20,158</u>	<u>13,726</u>

Trade receivables 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 30/9/2007 HK\$'000	At 31/3/2007 HK\$'000
Current – 30 days	4,740	2,463
31 – 90 days	3,023	3,411
Over 90 days	304	406
	<u>8,067</u>	<u>6,280</u>

Notes to the Unaudited Interim Accounts

13. Trade and other payables and accruals

	At 30/9/2007 HK\$'000	At 31/3/2007 HK\$'000
Trade payable	59,886	36,377
Other payables	6,104	5,452
Deposits received	22,683	21,549
Accruals	5,739	3,309
	<u>94,412</u>	<u>66,687</u>

The ageing analysis of trade payables is as follows:

	At 30/9/2007 HK\$'000	At 31/3/2007 HK\$'000
Current – 30 days	59,339	35,706
31 – 90 days	547	671
	<u>59,886</u>	<u>36,377</u>

14. Bank loans and overdrafts

	At 30/9/2007 HK\$'000	At 31/3/2007 HK\$'000
Bank overdrafts	—	171
Current portion of long term bank loans (<i>Note 15</i>)	—	—
	<u>—</u>	<u>171</u>

15. Long term bank loans

	At 30/9/2007 HK\$'000	At 31/3/2007 HK\$'000
Bank loan-secured	182,617	100,381
Less: Amount repayable within one year included under current liabilities (<i>Note 14</i>)	—	—
	<u>182,617</u>	<u>100,381</u>

The long term bank loans are repayable as follows:

Within one year	—	—
In the second year	18,262	—
In the third years to fifth years inclusive	109,570	60,228
After the fifth year	54,785	40,153
	<u>182,617</u>	<u>100,381</u>

The long term bank loans are denominated in Hong Kong dollars. Certain investment properties with a carrying amount of HK\$4,845,510,000 at 30 September 2007 (31/3/2007: HK\$4,444,800,000) have been mortgaged to secure the Group's long term bank loans.

The bank loans have an average effective interest rate of 5.23% (31/3/2007: 4.64%) per annum. The carrying values of the bank loans approximate their fair values.

Notes to the Unaudited Interim Accounts

16. Capital commitments

	At 30/9/2007 HK\$'000	At 31/3/2007 HK\$'000
Investment properties		
Contracted but not provided for	1,230,109	1,429,151
Investments in associated companies		
Contracted but not provided for	670,368	679,030
	<u>1,900,477</u>	<u>2,108,181</u>

17. 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 30/9/2007 HK\$'000	At 31/3/2007 HK\$'000
Not later than one year	8,370	11,776
Later than one year and not later than five years	112	1,715
	<u>8,482</u>	<u>13,491</u>

18. Financial guarantee contracts

The face value of the financial guarantees issued by the Group is analysed as follows:

	At 30/9/2007 HK\$'000	At 31/3/2007 HK\$'000
Guarantees and completion undertakings given severally in respect of banking facilities granted to associated companies in proportion to the Group's respective equity interests	650,990	527,883
Indemnity given in respect of banking facilities granted to an investee company in proportion to the Group's effective 12% equity interest	—	123,624
	<u>650,990</u>	<u>651,507</u>

19. Post balance sheet event

On 22 November 2007, the Company and its subsidiaries, Winsor Properties (Hong Kong) Limited and Allied Effort Limited (the "Purchasers"), entered into 3 conditional sale and purchase agreements (the "Agreements") with USI Holdings Limited ("USI") and its subsidiary, USI Properties International Limited ("USIPI"). Pursuant to the Agreements, USIPI has agreed to sell and the Purchasers have agreed to purchase the entire issued share capital of each of Unimix Properties Limited and Grandeur Investments Limited and 70% of the issued share capital of Winnion Limited, being all the issued share capital of Winnion Limited not already owned by the Group, and certain related shareholder loans, for an aggregate cash consideration of about HK\$1,125 million subject to adjustments (upwards or downwards, as the case may be) on a dollar for dollar basis based on the audited net asset value (adjusted as provided in the Agreements) of each of the target companies as at the date of completion.

The target companies being acquired own three properties in Hong Kong – namely the Unimix Industrial Centre in San Po Kong, the Shui Hing Centre in Kowloon Bay and the W Square in Wanchai USI is the holding company of the Company and, together with its subsidiaries, holds approximately 79.26% of the issued share capital of the Company. The acquisition of the target companies pursuant to the Agreements constitute, in aggregate, a major and connected transaction for the Company under the Listing Rules and is subject to, among other things, approval by the Company's independent shareholders at an extraordinary general meeting of the Company to be held on 21 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

OPERATION REVIEW

The Group's unaudited turnover for the Period was HK\$77.2 million, compared to HK\$103.1 million for the corresponding six months in 2006. The decrease in turnover is mainly due to the absence of sale of properties during the Period. The Group's unaudited profit after tax for the Period was HK\$368.7 million, a decrease of HK\$106.9 million compared to HK\$475.6 million for the comparative period. The decrease is mainly on account of the fair value increase of investment properties during the Period which was about HK\$130.8 million smaller as compared to 2006. Detailed review of the results for the two periods in comparison is set out below.

Sale of Properties

There were no sale of properties during the Period. For the corresponding six months in 2006, certain units at the Regent Centre in Kwai Chung were sold resulting in an aggregate turnover of HK\$28.2 million and a segment profit of HK\$4.7 million.

Rental and Property Management

Although the size of the Group's portfolio of investment properties in terms of floor area has been smaller during the Period due to sales in the previous financial year, results of the Group's leasing operation have benefited from upward rental revision. Excluding the increase in fair value of investment properties, revenue and segment profit of the rental and property management segment were HK\$60.3 million and HK\$46.5 million respectively for the Period, reporting increases of 6.5% and 9.7% respectively as compared to HK\$56.5 million and HK\$42.4 million respectively for the corresponding six months in 2006. As at 30 September 2007, the overall occupancy rate of the Group's rental properties was 96.3%.

Warehousing

Combined results of the Group's warehousing operation in Hong Kong and the cold storage operation in Shekou reported lower turnover and profit for the Period. The decrease was due to slower throughput of the cold storage as a result of the shortage in food supply in Mainland China and the disruption caused by the cold storage's application for accreditation as a quarantine cold storage for imported meat and aquaculture and fisheries products. The accreditation was awarded at the end of November 2007.

Investments

The segment profit of the Group's investment activities during the Period was HK\$126.4 million. A sum of HK\$104.0 million before tax was recognized as the initial gain attributable to the Group's 15% interest in the *Draycott 8* development in Singapore. A dividend amounting to HK\$8.9 million was received in respect of the Group's 5.14% interest in Suntec City Development Pte. Ltd. Income received from the Suntec REIT units held increased to about HK\$5.9 million on account of the REIT's growing distribution as well as the Group's increased holding. In addition to the net gain of about HK\$1.7 million from the Group's treasury activities, a profit amounting to HK\$5.9 million was also realised on the disposal of a long term investment held by the cold storage. In comparison, the profit of the Group's investment segment for the comparative period in 2006 was HK\$4.1 million, of which income received from the Suntec REIT was HK\$3.8 million and the balance was mainly accounted for by treasury activities.

Increase in fair value of investment properties

The increase in fair value arising from a valuation of the Group's investment properties as at 30 September 2007 in the sum of HK\$209.5 million 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\$172.9 million of the Group's profit after taxation for the Period. In comparison, the increase in fair value of investment properties accounted for HK\$340.3 million of the Group's profit before taxation and HK\$280.8 million of the Group's profit after taxation respectively for the corresponding six months in 2006.

Finance income and finance costs

The Group has been maintaining a net cash surplus since the end of August 2005. Interest income received from banks and financial institutions are treated as finance income and amounted to HK\$15.9 million for the Period, rising from HK\$10.1 million for the comparative period mainly because of higher principal amounts deposited. Since the interest expenses on the construction loan for the development of Landmark East are capitalized, finance costs during the Period was minimal.

In respect of the interest rate swap contracts with an aggregate notional principal amount of HK\$1,050 million held by the Group, a fair value gain of HK\$12.4 million has been credited to the income statement.

Interest income on loans to investee companies and associated companies are treated as other income and amounted to HK\$7.7 million for the Period, compared to HK\$6.9 million for the corresponding 6 months in 2006.

Associated Companies

Share of profits less losses of associated companies for the Period was a profit of HK\$23.8 million, compared to a profit of HK\$140.5 million for the corresponding period in 2006. These results were almost wholly contributed by the 20% owned Universal Plus Limited through which the Group's effective 10% interest in *The Grandville* luxury residential development in Shatin is held.

Changes in Group Structure

There were no acquisition and disposal of subsidiaries or associated companies during the Period. As from 29 June 2007, the first closing date of a voluntary conditional securities exchange offer made by USI Holdings Limited ("USI") to acquire all the issued shares of the Company (other than those already held by USI or its subsidiaries), USI became the holding company of the Company. As at the date of this report, USI and its subsidiaries together hold about 79.26% of the issued share capital of the Company.

PROJECT PROGRESS

"Landmark East", Hong Kong

Construction of the super-structure of this twin-tower grade A office development in Kwun Tong wholly owned by the Group has reached the 36th floor as at the date of this report. Completion is scheduled for the second half year of 2008. Marketing is proceeding. It is the Group's intention to hold the developed property for rental income upon completion.

"The Grandville", Hong Kong

The Group has a 10% indirect interest in this luxury residential development at No. 2 Lok Kwai Path, Shatin. All the units have been sold by April 2007. Cumulative profit recognized by the Group heretofore was about HK\$172 million.

No. 157 Argyle Street, Kowloon

The Group has a 20% interest in this project which will provide about 90,000 square feet of luxurious residential floor area upon its scheduled completion in 2009. Site planning and various building submissions are underway.

"W Square", Nos. 314-324 Hennessy Road, Wanchai, Hong Kong

The Group has a 30% interest in this building, formerly known as the *Bank of East Asia Building, Wanchai*. Upon completion of its renovation by the end of 2007, *W Square* will provide upscale retail and grade A office space totalling 115,000 square feet and will create a new landmark in a busy section of revitalized Wanchai. Pre-leasing is in progress and *W Square* will be available for occupation in January 2008.

"Draycott 8", Singapore

The Group has a 15% interest in this completed and sold prime residential development. A profit of about HK\$104 million before tax has been recognised by the Group during the Period. Further recognition in the year 2008 is expected.

"Kovan Melody", Singapore

The Group has a 12% indirect interest in this condominium apartment development. All units have been sold by May 2007, and it is also expected that a dividend will be declared by the joint venture company in the year 2008.

"Belle Vue Residences", 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. Presale is expected to be launched in the first quarter of 2008.

EMPLOYEES

As at 30 September 2007 the Group employed a total of 240 employees, reporting an increase of 46 employees as compared to the headcount as at 31 March 2007. The increase was due to new management contracts taken up by the Group's estate management arm. The Group aligns its remuneration and benefit packages with prevailing pay levels and practices in the market and recognizes individual responsibility and performances. 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 2007, the Group carried a net cash surplus of HK\$425.1 million, after netting off total debts of HK\$217.9 million from the cash and bank balances of HK\$643.0 million. As part of the Group's treasury operations, the Group also carried short term investments with a fair value of HK\$41.9 million as at 30 September 2007. In comparison, the Group's net cash surplus as at 31 March 2007 was HK\$465.8 million and short term investments held as at that date amounted to HK\$35.7 million. The lower liquidity was mainly due to the external and internal funding of the construction costs of *Landmark East*.

Bank Borrowings

The Group's bank borrowings as at 30 September 2007 were all in respect of the construction loan facility for the *Landmark East* development. A further aggregate sum of HK\$82.2 million was drawn down during the Period, increasing the total outstanding amount to HK\$182.6 million. The banking facilities available to the Group as at 30 September 2007 were secured by certain investment properties with a total carrying amount of HK\$4,845.5 million as at that date.

Interest on the Group's bank borrowings is calculated on a floating rate basis. Interest rate swap contracts for an aggregate notional principal amount of HK\$1,050 million were in effect throughout the Period. These contracts are carried at fair value in the Group's balance sheet as derivative financial instruments. The carrying amount as at 30 September 2007 was HK\$8.1 million.

Other Borrowings

The Group also carried other long term loans in the sum of HK\$35.3 million as at 30 September 2007, being unsecured interest-free loans with no fixed terms of repayment from the minority shareholders of two subsidiaries.

Capital Commitments

As at 30 September 2007, the Group's contracted capital commitments in respect of investment properties amounted to HK\$1,230.1 million and were all in relation to the *Landmark East* development.

The Group's capital commitments in respect of investments in associated companies aggregated HK\$670.4 million as at 30 September 2007. Such amount was calculated as the Group's attributable share of the acquisition costs and development costs committed by the relevant associated companies in relation to *No. 157 Argyle Street*, *W Square* and *Belle Vue Residences* respectively, less amounts already paid by the Group. Since the relevant associated companies have already arranged bank facilities to finance the major parts of their said costs respectively, it is not expected that the Group will be called up on these capital commitments to any significant extent during the subsistence of the bank facilities.

Financial Guarantees

The face value of financial guarantees issued by the Group as at 30 September 2007 were HK\$651.0 million, being the aggregate amount of guarantees and completion undertakings provided on a several basis and in proportion to the Group's respective equity interest to secure banking facilities granted towards the joint venture developers of *No. 157 Argyle Street*, *W Square* and *Belle Vue Residences*.

OUTLOOK

Completion of *Landmark East* in the second half of the year 2008 is on schedule. The *W Square* will be available for occupation in January 2008. In addition to the amounts recognized during the Period and reported in the foregoing, further returns from the Group's investment in *The Grandville*, *Draycott 8* and *Kovan Melody* are expected for the year 2008. Completion of the development of *No. 157 Argyle Street* and *Belle Vue Residences* are scheduled for 2009 and 2010 respectively.

Before the growth in the asset size and income base of the Group promised by the *Landmark East* development is realised in the year 2008, the quest by the Group for investment opportunities has resulted in the proposed acquisition of 3 investment properties from the USI Group, namely the entire *Unimix Industrial Centre* in San Po Kong, the entire *Shui Hing Centre* in Kowloon Bay, and the remaining 70% interest in *W Square* not already owned by the Group. The aggregate cash consideration for the relevant issued share capital of the properties' holding companies and related shareholders' loans is HK\$1,125 million subject to adjustments at completion. The proposed acquisitions in aggregate are major and connected transactions under the Listing Rules and are subject to, among other things, approval by independent shareholders of the Company at an extraordinary general meeting to be held on 21 December 2007. Further details are set out in a circular dated 5 December 2007 and despatched to shareholders on the same date.

Along with the benefit of economies of scale, the acquisition of these 3 properties will, before completion of and excluding *Landmark East*, immediately more than double the Group's portfolio of investment properties in terms of value, boost rentable area by 47%, and more importantly, double the Group's recurrent gross rental income base upon the full leasing of *W Square*. There are also potentials for capital value appreciation arising from upward rental revision and yield enhancement. It is intended that the aggregate consideration will be satisfied through the Group's internal resources and new bank borrowings. As a result, the Group's gearing and interest expenses will increase significantly and interest income on the Group's existing cash deposits will be forgone. Taking into account of the above, the proposed acquisitions will accelerate the Group's growth strategy and hence maximize shareholder's returns in the medium and long term.

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 12 cents per share for the nine months ending 31 December 2007, payable on 31 January 2008 to all shareholders on register as at 23 January 2008. The Register of Members and the Transfer Books of the Company will be closed from 21 January 2008 to 23 January 2008, 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 4:30 p.m. on Friday, 18 January 2008.

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.

DIRECTORS' INTERESTS IN SHARES

The interests of the Directors as at 30 September 2007 in shares of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:-

Name of Director	Nature of interests in shares of the Company and capacity in which interests are held					Percentage of issued share capital
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporation	Other interests	Total number of shares held	
Mr. Cheng Wai Chee, Christopher	—	27,000	—	—	27,000	0.01%
Mr. Chow Wai Wai, John	2,713,000	—	—	—	2,713,000	1.04%
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000	0.03%

Note: The total number of shares of the Company in issue as at 30 September 2007 was 259,685,288.

Name of Director	Nature of interests in shares of USI and capacity in which interests are held					Percentage of issued share capital
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporation	Other interests	Total number of shares held	
Mr. Cheng Wai Chee, Christopher	2,512,499	—	148,439,086	313,404,024	464,355,609	47.02%
			<i>Note 2</i>	<i>Note 3</i>		
Mr. Cheng Wai Sun, Edward	2,436,500	—	—	313,404,024	315,840,524	31.98%
				<i>Note 3</i>		
Mr. Tang Ming Chien	1,695,000	—	—	—	1,695,000	0.17%
Mr. Lam Woon Bun	307,250	28,250	—	—	335,500	0.03%
Mr. Au Hing Lun, Dennis	486,500	—	—	—	486,500	0.05%

Notes:

1. The total number of USI shares in issue as at 30 September 2007 was 987,496,918.
2. As at 30 September 2007, Mr. Cheng Wai Chee, Christopher was deemed to be interested in 148,439,086 ordinary shares of USI Holdings Limited beneficially owned by Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited by virtue of his corporate interests in these companies through Wing Tai (Cheng) Holdings Limited, Renowned Development Limited and Wing Tai Corporation Limited. Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited were the beneficial owners of 68,747,996, 66,698,122 and 12,992,968 ordinary shares of USI respectively.
3. As at 30 September 2007, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward were beneficiaries of a family trust which assets include indirect interests in 313,404,024 ordinary shares of USI.

**Outstanding incentive shares of USI awarded
under the share incentive scheme of USI**

Name of Director	Date of award	Number of incentive shares	Vesting date /period
Mr. Cheng Wai Chee, Christopher	13.9.2005	300,000	13.9.2008
	25.4.2006	409,500	12.1.2008 to 11.1.2009
	26.7.2007	327,000	8.2.2008 to 7.2.2010
Mr. Cheng Wai Sun, Edward	13.9.2005	300,000	13.9.2008
	25.4.2006	409,500	12.1.2008 to 11.1.2009
	26.7.2007	327,000	8.2.2008 to 7.2.2010
Mr. Au Hing Lun, Dennis	13.9.2005	75,000	13.9.2008
	25.4.2006	82,500	12.1.2008 to 11.1.2009
	26.7.2007	131,000	8.2.2008 to 7.2.2010

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 2007.

SUBSTANTIAL SHAREHOLDERS

Apart from the interests of the Directors in shares of the Company and its associated corporations (within the meaning of Part XV of the SFO) as disclosed in the section "Directors' interests in shares", the register kept under section 336 of the SFO shows that as at 30 September 2007 the Company has been notified of the following interests in the shares of the Company:-

Name of substantial shareholder	Nature of interests in shares of the Company and capacity in which interests are held			
	Interests held as beneficial owner	Interests held by controlled corporation	Total number of shares held	Percentage of issued share capital
		(Note)		
Twin Dragon Investments Limited	42,900,887	—	42,900,887	16.52%
USI Holdings (B.V.I.) Limited	—	42,991,387	42,991,387	16.58%
USI Holdings Limited	162,844,458	42,991,387	205,835,845	79.26%

Note:

As regards these 42,991,387 shares in the Company, 42,900,887 shares were beneficially owned by Twin Dragon Investments Limited and the remaining 90,500 shares were 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 2007 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 2007 there were no relevant advances made by the Group to entities which exceeded 8% of the Group's total assets as at 30 September 2007 of approximately HK\$6,711,912,000. 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 2007 in aggregate exceeded 8% of the Group's total assets as at 30 September 2007. In accordance with rule 13.22 of the Listing Rules, the combined balance sheet of the Group's affiliated companies as at 30 September 2007 and the Group's attributable interest therein are set out below:

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Investment properties	803,760	241,448
Leasehold land	665,648	133,130
Other property, plant and equipment	43,550	10,800
Properties under development	1,803,096	494,065
Associated companies	95,572	19,114
Net current liabilities	(104,042)	(35,657)
Minority interests	(99,006)	(19,801)
Long term bank loans	(1,496,901)	(415,358)
Other long term loans	(26,623)	(5,325)
Deferred tax liabilities	(71,367)	(16,109)
Amounts and loans due to shareholders	(1,392,397)	(353,905)
Amounts and loans due from shareholders	<u>768,885</u>	<u>153,373</u>
	<u>990,175</u>	<u>205,775</u>

TRIBUTE

The Board records with the deepest regret the passing away of Mr. Chou Wen Hsien, the founding chairman of the Board, on 23 November 2007 at the age of 90. Mr. Chou laid the solid foundation on which the Company has grown, for which the Board is forever grateful.

On behalf of the Board
Cheng Wai Chee, Christopher
Chairman

Hong Kong, 13 December 2007