



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 June 2008

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 ^{☆△}
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

AU Shiu Kee

Auditor

PricewaterhouseCoopers

Solicitors

Knight & Ho

Bankers

The Hongkong and Shanghai Banking Corporation Limited

Registered Office

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

Principal Place of Business

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Telephone: (852) 2731 1777
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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 condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement of Winsor Properties Holdings Limited (“the Company”) for the six months ended 30 June 2008, and the condensed consolidated balance sheet of the Company as at 30 June 2008, all of which are unaudited, along with relevant explanatory notes (collectively “the Interim Accounts”).

In order to align the financial year end of the Company with that of USI Holdings Limited (“USI”), the Directors resolved in July 2007 to change the financial year end of the Company from 31 March to 31 December. Accordingly, this set of interim results covers the six-month period from 1 January 2008 to 30 June 2008 (“the Period”). The comparative amounts for the condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement and related notes cover the six-month period from 1 April 2007 to 30 September 2007 (“the Comparative Period”) and, as such, may not be entirely comparable.

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

	<i>Note</i>	Unaudited	
		30 June 2008	30 September 2007
		HK\$'000	HK\$'000
Revenue	3	110,515	77,241
Cost of sales		<u>(31,852)</u>	<u>(23,995)</u>
Gross profit		78,663	53,246
Other income	3	40,907	23,829
Selling expenses		<u>(2,246)</u>	(938)
Administrative expenses		<u>(18,688)</u>	(17,743)
Increase in fair value of investment properties		195,341	209,529
Other gains, net	4	25,076	127,859
Other operating expenses		<u>(783)</u>	<u>(588)</u>
		318,270	395,194
Finance income		1,647	15,860
Finance costs	5	<u>(15,689)</u>	<u>(98)</u>
Operating profit	6	304,228	410,956
Share of profits less losses of associated companies		<u>1,622</u>	<u>23,792</u>
Profit before taxation		305,850	434,748
Taxation credit / (charge)	7	<u>5,782</u>	<u>(66,037)</u>
Profit for the period		311,632	368,711
Attributable to:			
Shareholders of the Company		308,693	365,408
Minority interests		<u>2,939</u>	<u>3,303</u>
		311,632	368,711
		HK\$	HK\$
Earnings per share	8	1.19	1.41
		HK\$'000	HK\$'000
Dividend	9	31,162	31,162

Condensed Consolidated Balance Sheet

At 30 June 2008

	<i>Note</i>	Unaudited At 30 June 2008 HK\$'000	Audited At 31 December 2007 HK\$'000
Non-current assets			
Property, plant and equipment	11	2,674	32,194
Investment properties	12	8,588,230	6,660,890
Properties under development		—	921,717
Associated companies		349,623	332,648
Available-for-sale financial assets		405,758	442,382
Deferred tax assets		5,488	6,042
Goodwill		57,807	61,092
		<u>9,409,580</u>	<u>8,456,965</u>
Current assets			
Trade and other receivables	13	51,245	49,142
Financial assets at fair value through profit or loss		5,264	14,850
Derivative financial instruments		—	164
Bank balances and cash		168,694	146,864
		<u>225,203</u>	<u>211,020</u>
Current liabilities			
Trade and other payables and accruals	14	390,597	308,733
Derivative financial instruments		1,751	10,016
Bank loans and overdrafts	15	68,424	2,000
Tax payable		58,296	65,061
Interim dividend payable		—	31,162
		<u>519,068</u>	<u>416,972</u>
Net current liabilities		<u>(293,865)</u>	<u>(205,952)</u>
Total assets less current liabilities		<u>9,115,715</u>	<u>8,251,013</u>
Non-current liabilities			
Long term bank loans	16	2,014,032	1,341,700
Other long term loans	17	32,498	35,275
Derivative financial instruments		21,252	31,760
Deferred tax liabilities		875,920	892,385
		<u>2,943,702</u>	<u>2,301,120</u>
Net assets		<u>6,172,013</u>	<u>5,949,893</u>
Share capital		2,596	2,596
Other reserves		1,036,674	1,068,500
Retained earnings		5,080,071	4,802,540
Proposed final dividend		—	57,131
Interim dividend declared		31,162	—
Equity attributable to shareholders of the Company		<u>6,150,503</u>	<u>5,930,767</u>
Minority interests		21,510	19,126
Total equity		<u>6,172,013</u>	<u>5,949,893</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Unaudited								
	Share capital	Contributed surplus	Investment revaluation reserve	Exchange fluctuation account	Hedging reserve	Retained earnings	Shareholders	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2008	2,596	769,080	327,180	(764)	(26,996)	4,859,671	5,930,767	19,126	5,949,893
Exchange translation differences	—	—	—	5,455	—	—	5,455	76	5,531
Realised on disposal of available-for-sale financial assets	—	—	(7,259)	—	—	—	(7,259)	(89)	(7,348)
Realised on disposal of a subsidiary	—	—	—	703	—	—	703	(542)	161
Realised on distribution from available-for-sale financial assets	—	—	(28,670)	—	—	—	(28,670)	—	(28,670)
Fair value loss on available-for-sale financial assets	—	—	(7,799)	—	—	—	(7,799)	—	(7,799)
Realised upon settlement	—	—	—	—	6,485	—	6,485	—	6,485
Fair value loss on cash flow hedges	—	—	—	—	(741)	—	(741)	—	(741)
Net gains/(losses) recognised directly in equity	—	—	(43,728)	6,158	5,744	—	(31,826)	(555)	(32,381)
	2,596	769,080	283,452	5,394	(21,252)	4,859,671	5,898,941	18,571	5,917,512
Profit for the Period	—	—	—	—	—	308,693	308,693	2,939	311,632
Dividends paid	—	—	—	—	—	(57,131)	(57,131)	—	(57,131)
At 30 June 2008	2,596	769,080	283,452	5,394	(21,252)	5,111,233	6,150,503	21,510	6,172,013
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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	Unaudited	
	Six months ended	
	30 June 2008	30 September 2007
	HK\$'000	HK\$'000
Net cash from operating activities	62,737	31,491
Net cash (used in) / from investing activities	(692,701)	3,061
Net cash from financing activities	650,388	4,297
Effect of foreign exchange rate changes	1,331	2,667
Net increase in cash and cash equivalents	21,755	41,516
Cash and cash equivalents at beginning of the period	146,864	601,456
Cash and cash equivalents at end of the period	168,619	642,972
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	168,694	642,972
Bank overdrafts	(75)	—
	168,619	642,972

Notes to the Unaudited Interim Accounts

1. General information

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 (“the Stock Exchange”). The Board of Directors of the Company considers that the Company’s ultimate holding company is USI, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange.

The Company and its subsidiaries (collectively “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.

The Interim Accounts are unaudited, but have been reviewed by PricewaterhouseCoopers, the external auditors of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (“the HKICPA”). The Interim Accounts have also been reviewed by the Company’s Audit Committee with no disagreement. The Interim Accounts were approved and authorised for issue by the Board of Directors of the Company on 10 September 2008.

2. Basis of preparation and accounting policies

The 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 (“the Listing Rules”) on the Stock Exchange.

The Interim Accounts should be read in conjunction with the Company’s annual financial statements for the nine months ended 31 December 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 nine months ended 31 December 2007 except as described below.

In the Period, the Group has adopted, for the first time, the following new interpretations issued by the HKICPA, which are effective for the Group’s financial year beginning on 1 January 2008:

HK(IFRIC) – Int 11	HKFRS 2 - Group and treasury share transactions
HK(IFRIC) – Int 12	Service concession arrangements
HK(IFRIC) – Int 14	HKAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction

The adoption of these interpretations has no material effect on the results and financial position of the Group in both periods.

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

		Effective for accounting periods beginning on or after
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 and HKAS 1 (Amendments)	Puttable financial instruments and obligations arising on liquidation	1 January 2009
HKFRS 2 (Amendment)	Share-based payment: vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008

The Directors anticipate that the adoption of these standards, amendments and interpretations will have no material effect on the results and financial position of the Group.

Notes to the Unaudited Interim Accounts

3. Revenue, other income and segment information

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

	Six months ended	
	30 June 2008	30 September 2007
	HK\$'000	HK\$'000
Revenue		
Rental and property management	96,462	60,313
Warehousing	12,973	16,928
Sale of investment properties	1,080	—
	<u>110,515</u>	<u>77,241</u>
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Other income		
Dividend income from		
– unlisted investments	28,670	8,921
– listed real estate investment trusts	6,730	6,140
Interest income on loans to associated companies	5,033	7,737
Others	474	1,031
	<u>40,907</u>	<u>23,829</u>
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	<u>151,422</u>	<u>101,070</u>

Notes to the Unaudited Interim Accounts

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

Secondary reporting format – geographical segments

	Six months ended			
	Revenue		Segment results	
	30 June 2008 HK\$'000	30 September 2007 HK\$'000	30 June 2008 HK\$'000	30 September 2007 HK\$'000
Hong Kong	104,754	67,741	267,210	259,590
Singapore	1,204	1,798	36,571	118,490
Mainland China	4,557	7,702	3,195	7,305
	110,515	77,241	306,976	385,385
Unallocated income less expenses			4,706	9,809
Gain on disposal of a subsidiary			6,588	—
Operating profit before finance income and costs			318,270	395,194
Finance income			1,647	15,860
Finance costs			(15,689)	(98)
Operating profit			304,228	410,956

4. Other gains, net

	Six months ended	
	30 June 2008 HK\$'000	30 September 2007 HK\$'000
Financial assets at fair value through profit or loss		
— realised (losses) / gains	(733)	198
— fair value (losses) / gains	(681)	2,077
Realised gains on available-for-sale financial assets	2,773	109,893
Net foreign exchange gain	4,620	3,120
Fair value gain on derivative financial instruments	12,509	12,371
Gain on disposal of a subsidiary	6,588	—
Gain on disposal of plant and equipment	—	193
Others	—	7
	25,076	127,859

5. Finance costs

During the Period, the amount of finance costs capitalised in investment properties was HK\$12,450,000 (2007: HK\$2,981,000).

Notes to the Unaudited Interim Accounts

6. Operating profit

Operating profit is stated after crediting and charging the following:

	Six months ended	
	30 June 2008 HK\$'000	30 September 2007 HK\$'000
Crediting:		
Gross rental income from investment properties	<u>94,141</u>	<u>58,586</u>
Charging:		
Cost of sale of properties included in cost of sales	1,080	—
Depreciation of property, plant and equipment	1,387	1,762
Staff costs (including Directors' emoluments)	19,126	15,111
Direct operating expenses arising from investment properties generating rental income	15,594	13,921
Operating leases rentals in respect of land and buildings	<u>3,822</u>	<u>3,512</u>

7. Taxation credit / (charge)

	Six months ended	
	30 June 2008 HK\$'000	30 September 2007 HK\$'000
Current taxation		
Hong Kong profits tax	(6,014)	(8,445)
Overseas taxation	(833)	(19,868)
	<u>(6,847)</u>	<u>(28,313)</u>
Deferred taxation		
Change in fair value of investment properties	(32,231)	(36,668)
Other temporary differences	(2,608)	(1,056)
Effect of tax rate change	47,468	—
	<u>12,629</u>	<u>(37,724)</u>
Taxation credit / (charge)	<u>5,782</u>	<u>(66,037)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2007: 17.5%) on the estimated assessable profits for the Period. Overseas taxation has been provided on the estimated assessable profits for the Period at rates prevailing in the countries in which the subsidiaries operate.

8. Earnings per share

The calculation of earnings per share is based on profit attributable to shareholders of the Company of HK\$308,693,000 (2007: HK\$365,408,000) and 259,685,288 (2007: 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 (2007: Nil).

Notes to the Unaudited Interim Accounts

9. Dividend

	Six months ended	
	30 June 2008 HK\$'000	30 September 2007 HK\$'000
Interim dividend, declared, of HK\$0.12 (2007: HK\$0.12) per share	<u>31,162</u>	<u>31,162</u>

At a meeting held on 10 September 2008, the Directors declared an interim dividend of HK\$0.12 per share for the year ending 31 December 2008. 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.

10. 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 June 2008 HK\$'000	30 September 2007 HK\$'000
Interest income from associated companies (Note i)	5,033	7,737
Project management fee to a related company and capitalised in investment properties (Note ii)	(900)	(900)
Sale of property to a related company (Note iii)	1,080	—
Rental and management fee income from related companies (Note iv)	7,498	—
Dividend income from an investee company (Note v)	28,670	—
Realised gain on available-for-sale financial assets in relation to the Group's interest in the Investee Company (Note vi)	<u>—</u>	<u>103,977</u>

- (i) Except for an aggregate amount due from associated companies of HK\$31,898,000 (31/12/2007 : HK\$9,019,000) which was interest free, interest was charged on amounts and loans due from associated companies at prevailing market interest rates or at fixed rates as agreed between the mutual parties.
- (ii) The project management fee was charged pursuant to the agreement entered into between the Group and the related company.
- (iii) The property was sold at its carrying value.
- (iv) The rental and management fee income was charged at rates pursuant to the agreements entered into between the Group and the related companies.
- (v) Dividend income was recognised in accordance with the Group's interest in the investee company ("the Investee Company"). The Investee Company was classified as a related party as the remaining interest in the company was being held by a wholly-owned subsidiary of a deemed substantial shareholder of the Company.
- (vi) The amount represented loan repayment from the Investee Company, which loan was acquired by the Group at a nominal consideration in June 2002.

Notes to the Unaudited Interim Accounts

10. Significant related party transactions (continued)

(b) Balances with related parties

	At 30 June 2008	At 31 December 2007
	HK\$'000	HK\$'000
Amounts and loans due from associated companies	300,778	291,107
Amounts and loans due to associated companies	(165,789)	(165,373)
Amounts due from holding company	—	18,067
Amounts and loans due to the Investee Company	—	(27,535)
	<u> </u>	<u> </u>

Except for amounts and loans due from certain associated companies which are interest-bearing, balances with related parties are unsecured, interest free and have no fixed terms of repayment.

11. Property, plant and equipment

During the Period, the Group acquired property, plant and equipment of HK\$464,000 (2007: HK\$1,223,000) and disposed of property, plant and equipment with an aggregate net book value of HK\$29,929,000 (2007: HK\$22,000), of which HK\$29,771,000 (2007: Nil) related to the disposal of a subsidiary.

12. Investment properties

During the Period, properties under development with a carrying value of HK\$925,280,000 (2007: Nil) was transferred to investment properties in addition to development costs of HK\$807,799,000 (2007: HK\$199,471,000) being capitalised into investment properties. Investment properties with a carrying value of HK\$1,080,000 (2007: Nil) was disposed of during the Period.

Certain investment properties with a carrying value of HK\$8,564,200,000 (31/12/2007: HK\$5,746,570,000) have been mortgaged to secure the Group's bank loans.

The Group's investment properties are stated at revalued amounts based on professional valuations at 30 June 2008 on an open market value basis.

13. Trade and other receivables

	At 30 June 2008	At 31 December 2007
	HK\$'000	HK\$'000
Trade receivables	9,656	11,524
Less : Provision for impairment of receivables	(8)	(382)
Trade receivables, net of provisions	9,648	11,142
Other receivables, deposits and prepayments	41,597	38,000
	<u>51,245</u>	<u>49,142</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. The credit quality of new lease or customer is assessed based on a defined policy set by the Group. 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 June 2008	At 31 December 2007
	HK\$'000	HK\$'000
Current – 30 days	5,744	5,211
31 – 90 days	2,763	4,652
Over 90 days	1,141	1,279
	<u>9,648</u>	<u>11,142</u>

Notes to the Unaudited Interim Accounts

14. Trade and other payables and accruals

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Trade payables	82,980	153,983
Other payables and accruals	307,617	154,750
	<u>390,597</u>	<u>308,733</u>

The ageing analysis of trade payables is as follows:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Current – 30 days	81,662	152,965
31 – 90 days	819	931
Over 90 days	499	87
	<u>82,980</u>	<u>153,983</u>

15. Bank loans and overdrafts

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Bank overdrafts	75	—
Bank loan repayable on demand or within one year, secured	20,000	—
Current portion of long term bank loans (<i>Note 16</i>)	48,349	2,000
	<u>68,424</u>	<u>2,000</u>

16. Long term bank loans

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Bank loans, secured	2,062,381	1,343,700
Less: Amount repayable within one year included under current liabilities (<i>Note 15</i>)	(48,349)	(2,000)
	<u>2,014,032</u>	<u>1,341,700</u>

The bank loans are repayable as follows:

Within one year	48,349	2,000
In the second year	437,396	559,345
In the third to fifth years inclusive	1,473,589	351,380
After the fifth year	103,047	430,975
	<u>2,062,381</u>	<u>1,343,700</u>

The bank loans are denominated in Hong Kong dollars. The bank loans have an average effective interest rate of 2.25% (31/12/2007: 4.03%) per annum. The carrying values of the bank loans approximate their fair values.

Notes to the Unaudited Interim Accounts

17. Other long term loans

Other long term loans due to minority shareholders of subsidiaries are unsecured, interest free and expected not to be repaid within one year. The carrying values of the other long term loans approximate their fair values.

18. Capital commitments

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Investment properties		
Contracted but not provided for	293,879	937,098
Investments in associated companies		
Contracted but not provided for	532,611	515,776
	<u>826,490</u>	<u>1,452,874</u>

19. Lease commitments

The Group had future aggregate minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	At 30 June 2008 HK\$'000	At 31 December 2007 HK\$'000
Not later than one year	6,522	5,759
Later than one year and not later than five years	3,951	81
	<u>10,473</u>	<u>5,840</u>

20. Financial guarantee contracts

	At 30 June 2008 HK\$'000	At 31 December 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	564,001	538,127

The Group has executed guarantees in favour of banks in respect of facilities granted to associated companies of HK\$564,001,000 (31/12/2007: HK\$538,127,000). The amount of facilities utilised by the associated companies amounted to HK\$351,348,000 (31/12/2007: HK\$307,141,000).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group's unaudited revenue for the Period was HK\$111 million, compared to HK\$77 million for the Comparative Period. The increase in revenue was mainly due to the Group's enlarged portfolio of investment properties. The Group's unaudited profit after tax for the Period was HK\$312 million, compared to HK\$369 million for the Comparative Period. Excluding the fair value gain on investment properties net of deferred tax of HK\$163 million (Comparative Period: HK\$173 million) and the deferred tax credit of HK\$48 million (Comparative Period: Nil) arising from the change in Hong Kong profits tax rate, the Group's unaudited profit after tax for the Period was HK\$101 million (Comparative Period: HK\$196 million). The decrease was mainly due to a gain of HK\$104 million recognised by the Group for the Draycott 8 project in the Comparative Period, which was non-recurring in nature.

Rental and property management

The acquisition of 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 in Wanchai ("the Newly Acquired Properties") was completed on 31 December 2007. The Newly Acquired Properties, in aggregate, contributed revenue of HK\$32 million (Comparative Period: Nil) in the Period. The other rental properties, namely the Regent Centre in Kwai Chung, the Winner Godown Building in Tsuen Wan and the Lucky Industrial Building in Kwai Chung, have all performed well. These properties, benefiting from the upward rental reversion and improved occupancy, recorded an increase in revenue from HK\$57 million to HK\$61 million in the Period. Together with other property management income, total revenue from rental and property management was HK\$96 million for the Period (Comparative Period: HK\$60 million).

Refurbishment of W Square, a top-quality retail and Grade A office property in Wanchai, was completed in January 2008. The property was transferred to Investment Properties upon completion of refurbishment. The leasing progress of W Square has so far been satisfactory.

Excluding the increase in fair value of investment properties, segment profit for the rental and property management operation was HK\$71 million (Comparative Period: HK\$47 million) for the Period. The increase was mainly due to profit contribution from the Newly Acquired Properties. As at 30 June 2008, the overall occupancy rate of the Group's rental properties was 89%.

Warehousing

The combined results of the Group's warehousing operation in Hong Kong and the cold storage operation in Mainland China reported revenue of HK\$13 million (Comparative Period: HK\$17 million) and a segment profit of HK\$1.7 million (Comparative Period: HK\$3.0 million) for the Period. The drop in revenue and profit was mainly due to the disposal of a 65% interest in the Group's cold storage operation to the China Merchants Group ("China Merchants") on 30 April 2008. The cold storage business is now a 30/70 joint venture between the Group and China Merchants.

Sale of properties

There was no significant sale of properties during the Period (Comparative Period: Nil).

Investments

The Group's investment activities reported a segment profit of HK\$39 million for the Period (Comparative Period: HK\$126 million). Profit from this segment mainly comprised dividend income and realised and unrealised gains less losses on the Group's investments. The decrease was mainly due to a gain of HK\$104 million before tax recognised in the Comparative Period for the Group's 15% interest in the Draycott 8 residential development in Singapore, which was non-recurring in nature.

Valuation of investment properties

The portfolio of the Group's investment properties at 30 June 2008 included Landmark East, the unsold portion of Regent Centre, Winner Godown Building, Lucky Industrial Building, Unimix Industrial Centre, Shui Hing Centre and W Square. Their total valuation at 30 June 2008 was HK\$8,588 million, compared to HK\$6,661 million as at 31 December 2007. The value of the portfolio increased as a result of the land premium and costs capitalised for the development of Landmark East, the transfer of W Square to Investment Properties upon completion of refurbishment and an increase in fair value of the investment properties during the Period.

Finance income and finance costs

The Group acquired the Newly Acquired Properties for a cash consideration of HK\$1,106 million on 31 December 2007. As a result, the Group turned from a net cash surplus position to a net borrowing position during the Period. Net finance costs amounted to HK\$14 million in the Period, against net finance income of HK\$16 million in the Comparative Period. Interest expenses on the construction loan for the development of Landmark East have been capitalised in both periods.

Interest income on loans to associated companies was reported as other income and amounted to HK\$5 million for the Period, compared to HK\$8 million for the Comparative Period. The decrease was mainly due to an associate of the Group becoming a subsidiary upon completion of the acquisition of the Newly Acquired Properties on 31 December 2007.

The Group held interest rate swap contracts ("IRS Contracts") to hedge its interest rate exposure. The outstanding notional principal amount of the IRS Contracts was HK\$1,000 million as at 30 June 2008. The fair value changes of the IRS Contracts at period end had resulted in a write-back of prior year's loss amounting to HK\$13 million as Other Gain in the Period.

Share of profits less losses of associated companies

There was no significant sale of properties in the associated companies during the Period (Comparative Period: profit of HK\$24 million).

Taxation

Taxation accounted for during the Period comprised provision for Hong Kong profits tax of HK\$6 million, overseas taxation of HK\$1 million, deferred tax charge of HK\$35 million mainly on fair value change of investment properties and write-back of deferred tax provision of HK\$48 million as a result of the change in Hong Kong profits tax rate from 17.5% to 16.5% during the Period. As a result, there was an overall tax credit of HK\$6 million for the Period, versus a tax charge of HK\$66 million in the Comparative Period.

Changes in Group structure

Winsor Health Godown Limited (“Winsor Health”) was a 95% subsidiary of the Group, which together with its subsidiaries engaged principally in the cold storage business in Mainland China. The Group disposed of a 65% interest in Winsor Health on 30 April 2008, which then became a 30% associate of the Group. Apart from the foregoing, there was no change in corporate structure of the Group during the Period.

PROJECT PROGRESS

Landmark East, Hong Kong

The Group has a 100% interest in this twin-tower Grade A office development in Kwun Tong, which is to be held for rental income. The project on completion will increase the rental portfolio of the Group by about 1.3 million square feet. Marketing efforts have been stepped up as the project progresses to its completion later this year. In July 2008, the negotiation with the Government regarding the lease modification premium was successfully concluded permitting maximum benefit be derived from the development.

2 Forfar Road, Hong Kong (previously known as 157 Argyle Street, Hong Kong)

The Group has a 20% interest in this luxury residential development which will provide about 100,000 square feet of saleable floor space upon its scheduled completion in late 2009. Superstructure work for the project is in progress.

Belle Vue Residences, Singapore

The Group has a 30% interest in this luxury residential development at 15-23 Oxley Walk, Singapore, having a site area of about 247,000 square feet and a maximum allowable gross floor area of about 347,000 square feet. The project is scheduled for completion in the first half of 2010.

EMPLOYEES

The Group employed 191 employees as at 30 June 2008 (31 December 2007: 248 employees). The decrease in headcount was mainly due to the disposal of the cold storage business in Mainland China. The Group aligns its remuneration and benefit packages with pay levels and practices prevailing in the market and recognises 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

The Group’s financing and treasury operations are centrally managed and controlled.

Liquidity and financial resources

The Group’s shareholders’ equity as at 30 June 2008 was HK\$6,151 million (31 December 2007: HK\$5,931 million). The increase was mainly due to profit attributable to shareholders for the Period of HK\$309 million net of 2007 final dividend of HK\$57

million distributed during the Period. The Group's total equity, including minority interests, was HK\$6,172 million as at 30 June 2008 (31 December 2007: HK\$5,950 million).

The Group's total bank borrowings as at 30 June 2008 were HK\$2,082 million (31 December 2007: HK\$1,344 million). The increase was mainly due to increase in bank borrowings to finance the development of Landmark East. After deducting the unutilised bank balances and cash of HK\$169 million (31 December 2007: HK\$147 million), the Group's net borrowings as at 30 June 2008 were HK\$1,913 million (31 December 2007: HK\$1,197 million).

The gearing ratio of the Group, as measured by the net borrowings of HK\$1,913 million over the total equity of HK\$6,172 million, was 31% as at 30 June 2008 (31 December 2007: 20%).

Bank borrowings

The Group's bank borrowings are all denominated in Hong Kong Dollars and bear interest at floating rate. About 97% of the total bank borrowings were repayable in periods beyond one year. The Group entered into the IRS Contracts to hedge partly the floating rate interest exposure. These IRS Contracts are carried as derivative financial instruments at fair value in the Group's balance sheet. According to the payment schedule for the IRS Contracts, the carrying amounts as at 30 June 2008 were HK\$2 million under current liabilities and HK\$21 million under non-current liabilities.

Foreign currencies

The Group principally operates in Hong Kong and, as a result, has minimal exposure to exchange rate fluctuation. The Group has certain investments in associated companies and financial assets which are denominated in Singapore Dollars and Renminbi. No forward exchange contracts have been entered to hedge for these foreign currency assets, which exposure will continue to be monitored by the Group and, if considered appropriate, hedged to the extent desirable.

Capital commitments

The Group's capital commitments in respect of investment properties amounted to HK\$294 million as at 30 June 2008, which were all related to construction costs of Landmark East.

The Group's capital commitments in respect of investments in associated companies aggregated HK\$533 million as at 30 June 2008. Such amount was calculated as the Group's attributable share of the acquisition and construction costs committed by the relevant associated companies in relation to property development projects less amounts already contributed by the Group. Given that these associated companies have all arranged banking facilities to finance the major part of the said costs, it is not expected that the Group will be called upon to make any disbursement in any significant amount under these capital commitments.

Contingent liabilities

Financial guarantees and completion undertakings given on a several basis and in proportion to the Group's respective equity interests to secure banking facilities granted to associated companies amounted to HK\$564 million as at 30 June 2008. Apart from the financial guarantees and completion undertakings, the Group had no other significant contingent liabilities as at 30 June 2008.

Pledge of assets

At 30 June 2008, certain of the Group's investment properties and financial assets with a carrying value of HK\$8,564 million and HK\$183 million respectively were pledged to secure banking facilities of the Group.

OUTLOOK

The global economy remains uncertain in view of the slowdown of the United States economy caused by the subprime fallout, uncertain credit environment and increasing inflationary pressure. Although Hong Kong will be affected to some extent by the slowdown in global economic activity, the fundamentals of the Hong Kong economy and that of Mainland China remain strong. Against such a backdrop, it is expected that the commercial property market in Hong Kong will continue to be well supported.

Our investment properties are all located in Hong Kong. The Regent Centre and Lucky Industrial Building in Kwai Chung, the Winner Godown Building in Tsuen Wan, the Shui Hing Centre in Kowloon Bay and the Unimix Industrial Centre in San Po Kong all recorded high occupancy. The take-up of the Grade A office and retail space of W Square in Wanchai are on plan. Landmark East, our Grade A office development in Kwun Tong, is facing keen competition from new office buildings recently completed or in the pipeline in Kowloon East. The Group is dedicated to increasing its marketing and leasing efforts. It is expected that tenancies in Landmark East will have to be gradually built up over time to fully defray the interest expenses on its development expenditure which can no longer be capitalised upon completion of development. The completion of Landmark East will add 1.3 million square feet to the Group's existing rental portfolio of 2.2 million square feet and will significantly enhance the recurrent income base of the Group.

In view of the above and barring unforeseen circumstances, the Directors remain 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 HK\$0.12 per share for the six months ended 30 June 2008, payable on 20 October 2008 to all shareholders whose names appear on the Register of Members of the Company on 10 October 2008. The Register of Members and the Transfer Books of the Company will be closed from 8 October 2008 to 10 October 2008, both days inclusive. In order to qualify for the interim dividend for the six months ended 30 June 2008, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Share Registrars and Transfer Office, 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 Monday, 6 October 2008. The Company's Hong Kong Share Registrars and Transfer Office will be closed on Tuesday, 7 October 2008, which is a public holiday in Hong Kong.

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 (“the 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 and the auditors of the Company the accounting policies and practices adopted by the Group and discussed matters in relation to internal control and financial reporting including the 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 June 2008 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					
	Interests held as beneficial owner	Interests held by spouse	Interests held by controlled corporation	Other Interests	Total number of shares held	Percentage of issued share capital
Mr. Cheng Wai Chee, Christopher	—	27,000	—	205,835,845	205,862,845	79.27%
Mr. Chow Wai Wai, John	2,713,000	—	—	—	2,713,000	1.04%
Mr. Cheng Wai Sun, Edward	—	—	—	205,835,845	205,835,845	79.26%
Mrs. Chen Chou Mei Mei, Vivien	70,000	—	—	—	70,000	0.03%

Note: The total number of ordinary shares of the Company in issue as at 30 June 2008 was 259,685,288.

Name of Director	Nature of interests in shares of USI and capacity in which interests are held					
	Interests held as beneficial owner	Interests held by spouse	Interest held by controlled corporation	Other interests	Total number of shares held	Percentage of issued share capital
Mr. Cheng Wai Chee, Christopher	3,548,999	—	148,439,086 (Note 2)	332,152,024 (Note 3)	484,140,109	49.00%
Mr. Cheng Wai Sun, Edward	3,473,000	—	—	332,152,024 (Note 3)	335,625,024	33.97%
Mr. Au Hing Lun, Dennis	775,000	—	—	—	775,000	0.08%
Ms. Fung Ching Man, Janet (Note 4)	37,000	—	—	—	37,000	0.00%

Notes:

- The total number of ordinary shares of USI in issue as at 30 June 2008 was 987,997,168.
- As at 30 June 2008, Mr. Cheng Wai Chee, Christopher was deemed to be interested in 148,439,086 ordinary shares of USI 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.
- As at 30 June 2008, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward were beneficiaries of a family trust which assets include indirect interests in 332,152,024 ordinary shares of USI.
- Alternate Director to Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward respectively.

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

Name of Director	Exercise period	Number of incentive shares
Mr. Cheng Wai Chee, Christopher	13.9.2008 to 12.9.2015	300,000
	12.1.2008 to 11.1.2016	409,500
	8.2.2009 to 26.7.2017	245,250
Mr. Cheng Wai Sun, Edward	13.9.2008 to 12.9.2015	300,000
	12.1.2009 to 11.1.2016	273,000
	8.2.2009 to 26.7.2017	245,250
Mr. Au Hing Lun, Dennis	13.9.2008 to 12.9.2015	75,000
	12.1.2009 to 11.1.2016	55,000
	8.2.2009 to 26.7.2017	98,250
Ms. Fung Ching Man, Janet	17.7.2008 to 26.7.2017	37,000

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 June 2008.

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 June 2008 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				Percentage of issued share capital
	Interests held as beneficial owner	Interests held as trustee	Interests held by controlled corporation	Total number of shares held	
Deutsche Bank International Trust Co. (Jersey) Limited	—	205,835,845	—	205,835,845	79.26%
Deutsche Bank International Trust Co. (Cayman) Limited	—	205,835,845	—	205,835,845	79.26%
Wing Tai Holdings Limited	—	—	205,835,845	205,835,845	79.26%
USI Holdings Limited	162,844,458	—	42,991,387	205,835,845	79.26%
USI Holdings (B.V.I.) Limited	—	—	42,991,387	42,991,387	16.56%
Twin Dragon Investments Limited	42,900,887	—	—	42,900,887	16.52%

Notes:

1. *Deutsche Bank International Trust Co. (Jersey) Limited was the trustee of a family trust which held all units of a unit trust ("Unit Trust"). Deutsche Bank International Trust Co. (Cayman) Limited was the trustee of the Unit Trust. The assets of the Unit Trust included indirect interests in more than one-third of the issued shares of USI. Under Part XV of the SFO, Deutsche Bank International Trust Co. (Jersey) Limited and Deutsche Bank International Trust Co. (Cayman) Limited were deemed to be interested in all the shares of the Company beneficially owned by USI.*
2. *Wing Tai Holdings Limited held more than one-third of the issued shares of USI. Under Part XV of the SFO, Wing Tai Holdings Limited was deemed to be interested in all the shares of the Company beneficially owned by USI.*
3. *USI Holdings (B.V.I.) Limited was deemed to be interested in 42,991,387 shares of the Company, of which 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 being its wholly-owned subsidiaries. USI Holdings (B.V.I.) Limited in turn was a wholly-owned subsidiary of USI. Under Part XV of the SFO, USI Holdings (B.V.I.) Limited was deemed to be interested in all the shares of the Company beneficially owned by Twin Dragon Investments Limited and Shui Hing Textiles International Limited, and USI was deemed to be interested in all the shares of the Company in which USI Holdings (B.V.I.) Limited was interested.*

Save as disclosed herein, as at 30 June 2008 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 Part XV of the SFO.

FINANCIAL ASSISTANCE AND GUARANTEES PROVIDED TO ENTITIES AND AFFILIATED COMPANIES

Relevant advances to entities

As at 30 June 2008, there were no relevant advances made by the Group to entities which exceeded 8% of the Group's total assets as at 30 June 2008 of HK\$9,634,783,000. 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 June 2008 in aggregate amounted to HK\$864,779,000 and exceeded 8% of the Group's total assets as at 30 June 2008. In accordance with rule 13.22 of the Listing Rules, the combined balance sheet of the Group's affiliated companies as at 30 June 2008 and the Group's attributable interest therein are set out below:

	Combined balance sheet HK\$'000	Group's attributable interest HK\$'000
Leasehold land	659,520	131,904
Other property, plant and equipment	77,433	20,828
Investment properties	13,480	4,356
Properties under development	1,788,869	523,981
Associated companies	9,791	1,958
Net current assets	315,459	40,244
Long term bank loans	(1,291,201)	(351,348)
Deferred tax liabilities	(7)	(2)
Minority interests	(111,495)	(22,299)
Amounts and loans due to shareholders	(1,221,625)	(300,778)
Amounts and loans due from shareholders	827,994	165,789
	<u>1,068,218</u>	<u>214,633</u>

On behalf of the Board
Cheng Wai Chee, Christopher
Chairman

Hong Kong, 10 September 2008