

USI HOLDINGS LIMITED

富聯國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 369)



Interim Report 2008

** For identification purpose only*



Image on the cover: (Centre) Landmark East
(Right) W Square

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Chairman's Statement

Dear Shareholders,

In the first half of 2008, we saw the US and European markets were pulled down by the deepening subprime crisis-induced credit crunch. Asia performed relatively well although concerns over whether the economic downturn overseas will fully contaminate the region prevail. During these six months, the Group focused on integrating the new initiatives we began in 2007 to create a stronger platform that will be the engine of our future growth.

With our property development business, the Group has successfully maximised the value of our residential lands through superior design and planning. Our projects are progressing as planned and should be up for sale when the right market window opens in the next one to two years. The timely launch of W Square has captured the demand overflow from traditional Grade A area in Central and is now 70% leased. We expect similar progress and performance for Landmark East when the project is completed in the third quarter of 2008. These development projects will bring solid earnings to the Group.

The opening of Lanson Place Central Park Residences in Beijing before the Olympics was fruitful as it attracted visitor flow and boosted our brand recognition. Our ability to achieve top rates and occupancy for Lanson Place Jin Lin Tian Di Residences in Shanghai won us a further 10-year management contract. We also made our first serviced residences acquisition in South East Asia, securing a 50% stake in a 115-unit residential development in Kuala Lumpur's vibrant central business district. Going forward, Lanson Place will continue to evolve and expand into a strong Pan-Asia brand along with further investments in South East Asia and China.

Our Shenyang development under the Hongkong Land Group joint venture has commenced the planning and design of its initial phase. The 960,000 square-metre site is earmarked for a high quality residential development of up to 1.6 million square metre in different phases. The joint venture is determined to be a significant player in the mainland property market and we expect more projects to come in future.

The Group was well on target in restructuring its apparel business which is expected to be completed by this year upon which the manufacturing operation should be back on a profitable track.

After successfully integrating all our initiatives started in 2007, our stronger platform ensures confidence and solid capability in meeting challenges and opportunities ahead. We have laid the groundwork for a bright future. I would like to take this opportunity to thank our staff and shareholders for their unwavering support.

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 10 September 2008

Condensed Consolidated Income Statement

For the six months ended 30 June 2008

INTERIM RESULTS

The Board of Directors (the “Directors”) of USI Holdings Limited (the “Company” or “USI”) presents the unaudited condensed consolidated interim financial information of the Company, its subsidiaries and its jointly controlled entities (the “Group”) for the six months ended 30 June 2008.

	Note	Unaudited Six months ended 30 June	
		2008 HK\$'M	2007 HK\$'M
Revenue	4	749.9	1,178.0
Cost of sales		(416.6)	(552.7)
Gross profit		333.3	625.3
Other gains, net		38.3	7.7
Selling and distribution costs		(64.9)	(91.0)
Administrative expenses		(169.4)	(145.5)
Change in fair value of investment properties		358.9	137.6
Excess of the Group's share of fair value of net assets of subsidiaries acquired over the cost of acquisition (“discount on acquisition”)		-	1,007.5
Profit from operations	5	496.2	1,541.6
Finance charges		(34.2)	(20.5)
Finance income		18.0	6.4
Net finance charges		(16.2)	(14.1)
Share of results of associates		1.8	5.1
Profit before taxation		481.8	1,532.6
Taxation	6	(43.0)	(95.3)
Profit for the period		438.8	1,437.3
Attributable to:			
Equity holders of the Company		328.7	1,408.5
Minority interests		110.1	28.8
		438.8	1,437.3
Dividends	7	98.8	83.5
Earnings per share for profit attributable to equity holders of the Company (expressed in HK dollar per share)	8		
– Basic		HK\$0.33	HK\$2.65
– Diluted		HK\$0.33	HK\$2.64

The notes on pages 9 to 20 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	Unaudited 30 June 2008 HK\$'M	Audited 31 December 2007 HK\$'M
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights	9	3,305.4	5,772.4
Investment properties	9	4,849.0	3,463.0
Properties under development	9	1,547.3	1,175.5
Other properties, plant and equipment	9	262.4	294.0
Interests in associates		619.6	652.1
Strategic investments		489.1	526.7
Deferred tax assets		8.5	6.1
Other non-current assets		372.5	417.3
		11,453.8	12,307.1
Current assets			
Inventories		154.8	147.2
Properties for sale	10	2,880.8	62.3
Loan receivable		23.4	20.8
Trade and other receivables, deposits and prepayments	11	443.5	329.3
Financial assets at fair value through profit or loss		5.3	14.9
Derivative financial instruments		–	0.6
Sales proceeds held in stakeholders' accounts		89.2	98.5
Amounts due from associates		49.2	25.9
Tax recoverable		3.8	1.7
Pledged bank deposits		22.2	21.0
Bank balances and cash		488.1	1,806.4
		4,160.3	2,528.6
Current liabilities			
Trade and other payables and accruals	12	918.4	694.9
Derivative financial instruments		2.1	10.0
Amounts due to associates		11.5	10.1
Tax payable		134.4	302.9
Short-term bank borrowings and overdrafts		5.0	13.7
Bank loans due within one year	13	178.2	902.7
		1,249.6	1,934.3
Net current assets		2,910.7	594.3
Total assets less current liabilities		14,364.5	12,901.4

Condensed Consolidated Balance Sheet

As at 30 June 2008

	Note	Unaudited 30 June 2008 HK\$'M	Audited 31 December 2007 HK\$'M
Non-current liabilities			
Bank loans due after one year	13	4,126.1	3,208.0
Derivative financial instruments		21.3	31.8
Other long-term loans	14	166.1	43.6
Deferred tax liabilities		1,178.8	1,125.0
		5,492.3	4,408.4
NET ASSETS			
		8,872.2	8,493.0
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	494.0	493.7
Reserves		6,859.1	6,606.1
		7,353.1	7,099.8
Minority interests		1,519.1	1,393.2
TOTAL EQUITY		8,872.2	8,493.0

The notes on pages 9 to 20 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Capital and reserves attributable to equity holders of the Company												Total equity HK\$'M												
	Share capital HK\$'M	Obligation of shares of the Company HK\$'M	Share premium HK\$'M	Hedging reserve HK\$'M	Investment revaluation reserve HK\$'M	Employee share-based compensation reserve HK\$'M	Other property revaluation reserve HK\$'M	Translation reserve HK\$'M	Contributed surplus HK\$'M	Retained profits HK\$'M	Total HK\$'M	Minority interests HK\$'M													
At 1 January 2007	263.3	-	441.9	0.1	300.9	3.1	12.1	4.9	554.3	1,132.2	2,712.8	215.2	2,928.0												
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	-	-	-	-	-	2.5	-	-	2.5	-	2.5												
Surplus arising on revaluation of strategic investments	-	-	-	-	115.8	-	-	-	-	-	115.8	1.8	117.6												
Increase in hedging reserve	-	-	-	1.3	-	-	-	-	-	-	1.3	-	1.3												
Share of post-acquisition reserves on interests previously held as strategic investments	-	-	-	-	-	-	-	-	-	425.0	425.0	-	425.0												
Share of reserves of the associates	-	-	-	-	-	-	-	0.9	-	-	0.9	-	0.9												
Net income recognised directly in equity	-	-	-	1.3	115.8	-	-	3.4	-	425.0	545.5	1.8	547.3												
Profit for the six months ended 30 June 2007	-	-	-	-	-	-	-	-	-	1,408.5	1,408.5	28.8	1,437.3												
Total recognised income for the period	-	-	-	1.3	115.8	-	-	3.4	-	1,833.5	1,954.0	30.6	1,984.6												
Acquisition of subsidiaries	-	2,129.8	-	-	(409.3)	-	-	-	-	-	1,720.5	1,852.5	3,573.0												
Value of employee services relating to grants of share options and incentive shares	-	-	-	-	-	1.1	-	-	-	-	1.1	-	1.1												
Incentive shares exercised	-	-	-	-	-	(0.3)	-	-	-	-	(0.3)	-	(0.3)												
Shares issued under share incentive scheme	0.1	-	0.3	-	-	-	-	-	-	-	0.4	-	0.4												
2006 final dividend paid	-	-	-	-	-	-	-	-	(34.2)	-	(34.2)	-	(34.2)												
At 30 June 2007	263.4	2,129.8	442.2	1.4	7.4	3.9	12.1	8.3	520.1	2,965.7	6,354.3	2,098.3	8,452.6												
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	-	-	-	-	-	6.6	-	-	6.6	-	6.6												
Surplus arising on revaluation of strategic investments	-	-	-	-	(23.7)	-	-	-	-	-	(23.7)	(5.9)	(29.6)												
Decrease in hedging reserve	-	-	-	(28.8)	-	-	-	-	-	-	(28.8)	-	(28.8)												
Share of reserves of the associates	-	-	-	-	-	-	-	4.3	-	-	4.3	-	4.3												
Net income recognised directly in equity	-	-	-	(28.8)	(23.7)	-	-	10.9	-	-	(41.6)	(5.9)	(47.5)												
Profit for the six months ended 31 December 2007	-	-	-	-	-	-	-	-	-	327.4	327.4	75.3	402.7												
Total recognised income for the period	-	-	-	(28.8)	(23.7)	-	-	10.9	-	327.4	285.8	69.4	355.2												

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008

	Capital and reserves attributable to equity holders of the Company												
	Obligation for the issue		Share premium	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	Other property revaluation reserve	Translation reserve	Contributed surplus	Retained profits	Total	Minority interests	Total equity
	Share capital	of shares of the Company											
	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	
Acquisition of subsidiaries	230.0	(2,129.8)	2,405.1	-	-	-	-	-	-	505.3	(667.4)	(162.1)	
Effect of partial disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	(19.6)	(19.6)	
Value of employee services relating to grants of share options and incentive shares	-	-	-	-	-	3.1	-	-	-	3.1	-	3.1	
Incentive shares exercised	-	-	-	-	-	(1.3)	-	-	-	(1.3)	-	(1.3)	
Shares issued under share incentive scheme	0.3	-	1.7	-	-	-	-	-	-	2.0	-	2.0	
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(87.5)	(87.5)	
2007 interim dividend paid	-	-	-	-	-	-	-	-	(49.4)	-	-	(49.4)	
At 31 December 2007	493.7	-	2,849.0	(27.4)	(16.3)	5.7	12.1	19.2	470.7	3,293.1	7,099.8	1,393.2	8,493.0
At 1 January 2008	493.7	-	2,849.0	(27.4)	(16.3)	5.7	12.1	19.2	470.7	3,293.1	7,099.8	1,393.2	8,493.0
Exchange differences arising on translation of financial statements of operations outside Hong Kong	-	-	-	-	-	-	-	12.6	-	-	12.6	10.2	22.8
Increase in hedging reserve	-	-	-	4.2	-	-	-	-	-	-	4.2	1.2	5.4
Net deficit arising on revaluation of strategic investments	-	-	-	-	(6.2)	-	-	-	-	-	(6.2)	(9.1)	(15.3)
Share of reserves of the associates	-	-	-	-	-	-	-	4.0	-	-	4.0	-	4.0
Net income recognised directly in equity	-	-	-	4.2	(6.2)	-	-	16.6	-	-	14.6	2.3	16.9
Profit for the six months ended 30 June 2008	-	-	-	-	-	-	-	-	-	328.7	328.7	110.1	438.8
Disposal of strategic investments	-	-	-	-	(28.5)	-	-	-	-	-	(28.5)	-	(28.5)
Disposal of subsidiaries	-	-	-	-	-	-	-	0.6	-	-	0.6	-	0.6
Total recognised income for the period	-	-	-	4.2	(34.7)	-	-	17.2	-	328.7	315.4	112.4	427.8
Acquisition of subsidiaries by a jointly controlled entity	-	-	-	-	-	-	-	-	-	-	-	13.4	13.4
Reversal of effect of partial disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	12.0	12.0
Value of employee services relating to grants of share options and incentive shares	-	-	-	-	-	1.8	-	-	-	-	1.8	-	1.8
Incentive shares exercised	-	-	-	-	-	(2.0)	-	-	-	-	(2.0)	-	(2.0)
Shares issued under share incentive scheme	0.3	-	2.0	-	-	-	-	-	-	-	2.3	-	2.3
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	-	(11.9)	(11.9)
2007 final dividend paid	-	-	-	-	-	-	-	-	(64.2)	-	(64.2)	-	(64.2)
At 30 June 2008	494.0	-	2,851.0	(23.2)	(51.0)	5.5	12.1	36.4	406.5	3,621.8	7,353.1	1,519.1	8,872.2

The notes on pages 9 to 20 are an integral part of this condensed consolidated interim financial information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008

	NOTE	Unaudited Six months ended 30 June	
		2008 HK\$'M	2007 HK\$'M
Net cash (used in)/generated from operating activities		(142.8)	31.5
Cash flows from investing activities			
Acquisition of a jointly controlled entity/subsidiaries	16	(31.9)	638.1
Other investing cash flows		(1,265.5)	(1,387.6)
Net cash used in investing activities		(1,297.4)	(749.5)
Net cash generated from financing activities		125.4	1,456.4
Effect of foreign exchange rate changes		0.3	1.4
(Decrease)/increase in cash and cash equivalents		(1,314.5)	739.8
Cash and cash equivalents at the beginning of the period		1,798.6	400.6
Cash and cash equivalents at the end of the period		484.1	1,140.4
Analysis of the balances of cash and cash equivalents			
Bank balances and cash		488.1	1,144.6
Bank overdrafts		(4.0)	(4.2)
		484.1	1,140.4

The notes on pages 9 to 20 are an integral part of this condensed consolidated interim financial information.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

1. General Information

The Company is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The Company, its subsidiaries and its jointly controlled entities (collectively the “Group”) are engaged in property development, property investment and management, hospitality investment and management, garment manufacturing and trading, branded products distribution and investing activities.

This condensed consolidated interim financial information has been approved for issue by the Board of Directors on 10 September 2008.

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“the Listing Rules”) and with the Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated interim financial information should be read in conjunction with the Company’s annual financial statements for the year ended 31 December 2007.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

3. Accounting policies

The accounting policies adopted are consistent with those adopted and as described in the Company's annual financial statements for the year ended 31 December 2007.

The following interpretations, which are relevant to the Group's operations, are mandatory for accounting periods beginning on or after 1 January 2008 and were adopted by the Group in the current period:

		Effective for accounting period beginning on or after
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions	1 January 2008
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The adoption of the above interpretations did not have any significant impacts on the Group's financial statements in both periods.

The Group has not early adopted the following new or revised standards or 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
HKFRS 2 Amendment	Share-based payment vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business combination	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2009

The Group is in the process of making assessment of the impact of these standards, amendments and interpretations and is not yet in a position to state whether they would have a significant impact on the Group's results and financial position.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

4. Revenue and segment information

(a) Primary reporting format – business segment

The Group is currently organised into six operating divisions – property development, property investment and management, hospitality investment and management, garment manufacturing and trading, branded products distribution and investing activities. These divisions form the basis on which the Group reports its primary segment information.

As a result of the change in internal reporting system, the segment previously named as “Hospitality Management” was changed to be “Hospitality Investment and Management”. For comparative purposes, certain last period’s segment figures were reclassified from the segment of “Property Investment and Management” to “Hospitality Investment and Management”.

For the six months ended 30 June 2008	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Garment manufacturing and trading HK\$'M	Branded products distribution HK\$'M	Investing activities HK\$'M	Elimination HK\$'M	Consolidated HK\$'M
Revenue								
External sales	112.3	106.0	53.6	310.0	132.6	35.4	-	749.9
Inter-segment sales	-	4.2	-	-	-	-	(4.2)	-
Total	112.3	110.2	53.6	310.0	132.6	35.4	(4.2)	749.9
Results								
Segment results before change in fair value of investment properties	67.3	59.1	34.1	(40.7)	(0.2)	52.1	-	171.7
Change in fair value of investment properties	-	233.9	125.0	-	-	-	-	358.9
Segment results	67.3	293.0	159.1	(40.7)	(0.2)	52.1	-	530.6
Unallocated corporate expenses								(34.4)
Profit from operations								496.2
Finance charges								(34.2)
Finance income								18.0
Net finance charges								(16.2)
Share of results of associates	5.2	-	2.0	-	-	(5.4)	-	1.8
Profit before taxation								481.8
Taxation								(43.0)
Profit for the period								438.8
Other items								
Depreciation and amortisation	-	0.5	1.5	5.5	3.8	1.2	-	12.5
Write off of trade and other receivables	-	-	-	1.3	-	-	-	1.3
Provision for impairment losses in respect of strategic investments	-	-	-	-	-	0.1	-	0.1

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

4. Revenue and segment information (Continued)

(a) Primary reporting format – business segment (Continued)

For the six months ended 30 June 2007	Property development HK\$'M	Property investment and management HK\$'M	Hospitality investment and management HK\$'M	Garment manufacturing and trading HK\$'M	Branded products distribution HK\$'M	Investing activities HK\$'M	Elimination HK\$'M	Consolidated HK\$'M
Revenue								
External sales	675.7	28.7	43.8	290.8	136.2	2.8	-	1,178.0
Inter-segment sales	-	2.0	2.5	-	-	-	(4.5)	-
Total	675.7	30.7	46.3	290.8	136.2	2.8	(4.5)	1,178.0
Results								
Segment results before change in fair value of investment properties	434.4	8.2	28.7	(42.1)	(0.7)	(0.7)	-	427.8
Change in fair value of investment properties	-	67.3	70.3	-	-	-	-	137.6
Segment results	434.4	75.5	99.0	(42.1)	(0.7)	(0.7)	-	565.4
Discount on acquisition								1,007.5
Unallocated corporate expenses								(31.3)
Profit from operations								1,541.6
Finance charges								(20.5)
Finance income								6.4
Net finance charges								(14.1)
Share of results of associates	9.0	-	-	-	-	(3.9)	-	5.1
Profit before taxation								1,532.6
Taxation								(95.3)
Profit for the period								1,437.3
Other items								
Depreciation and amortisation	-	3.3	0.1	6.0	3.8	1.1	-	14.3
Provision for impairment losses in respect of strategic investments	-	-	-	-	-	2.2	-	2.2

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

4. Revenue and segment information (Continued)

(b) Secondary reporting format – geographical segment

The following is an analysis of the Group's revenue by geographical areas in which the customer is located, irrespective of the origin of the goods/services:

	Revenue by geographical market	
	Six months ended 30 June	
	2008 HK\$'M	2007 HK\$'M
Hong Kong	261.5	740.6
North America	181.0	186.4
United Kingdom	151.7	148.8
Other European countries	56.5	55.1
Other areas	99.2	47.1
	749.9	1,178.0

5. Profit from operations

	Six months ended 30 June	
	2008 HK\$'M	2007 HK\$'M
Profit from operations has been arrived at after charging/(crediting):		
Amortisation of trademark	0.1	0.1
Depreciation and amortisation of leasehold land and land use rights and other properties, plant and equipment	12.4	14.2
Provision for impairment losses in respect of strategic investments	0.1	2.2
Net fair value loss on financial assets through profit or loss	0.7	–
Net fair value gain on derivative financial instruments	(12.5)	–
(Gain)/loss on disposal of strategic investments	(2.8)	1.0
Loss on disposal of financial assets through profit or loss	0.7	–
Share-based compensation expense	2.0	1.1
Gain on disposal of a subsidiary	(6.6)	–

6. Taxation

Hong Kong profits tax has been calculated at 16.5% (2007: 17.5%) of the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated income statement represents:

	Six months ended 30 June	
	2008 HK\$'M	2007 HK\$'M
Current taxation		
– Hong Kong profits tax	18.4	68.9
– Over-provision in prior years	(0.1)	–
– Taxation in other jurisdictions	1.0	0.4
	19.3	69.3
Deferred taxation		
– Origination and reversal of temporary differences	84.5	26.0
– Effect on tax rates change	(60.8)	–
	43.0	95.3

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

7. Dividends

During the six months ended 30 June 2008, a final dividend of HK6.5 cents per share totaling HK\$64.2 million in respect of the year ended 31 December 2007 was approved at the Company's annual general meeting held on 6 June 2008 and paid to the shareholders during the period.

At the Board meeting held on 10 September 2008, the Directors declared the payment of an interim dividend of HK3.5 cents per share in respect of the year ending 31 December 2008.

8. Earnings per share

The calculation of the basic and diluted earnings per share for profit attributable to equity holders of the Company is based on the following data:

	Six months ended 30 June	
	2008 HK\$'M	2007 HK\$'M
Profit attributable to equity holders of the Company for the purposes of calculating basic and diluted earnings per share	328.7	1,408.5
Number of shares		
Weighted average number of shares outstanding during the period	987,611,667	526,758,647
Effect of shares to be issued for the acquisition of subsidiaries	–	4,128,811
Weighted average number of shares for the purpose of calculating basic earnings per share	987,611,667	530,887,458
Effect of dilutive potential shares issuable under the Company's share option and share incentive schemes	3,081,976	2,931,435
Weighted average number of shares for the purpose of calculating diluted earnings per share	990,693,643	533,818,893

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

9. Capital expenditure

	Leasehold land and land use rights HK\$'M	Investment properties HK\$'M	Properties under development HK\$'M	Other properties, plant and equipment HK\$'M
Opening net book value at 1 January 2008	5,772.4	3,463.0	1,175.5	294.0
Exchange adjustments	10.8	1.2	–	1.1
Gain arising from change in fair value	–	371.5	–	–
Additions	440.4	0.9	1,101.4	9.4
Acquisition of a jointly controlled entity	165.7	–	1.4	0.5
Disposal of a subsidiary	–	–	–	(29.8)
Transfer from leasehold land and land use rights to investment properties	(471.6)	471.6	–	–
Transfer from properties under development to investment properties	–	541.8	(541.8)	–
Transfer to properties for sale	(2,591.0)	–	(189.2)	–
Disposals	–	(1.0)	–	(0.7)
Depreciation and amortisation	(21.3)	–	–	(12.1)
Closing net book value at 30 June 2008	3,305.4	4,849.0	1,547.3	262.4
Opening net book value at 1 January 2007	776.3	1,563.1	128.7	301.0
Exchange adjustments	–	–	–	2.1
Gain arising from change in fair value	–	137.6	–	–
Additions	1,255.7	3.7	51.7	12.8
Acquisition of subsidiaries	3,082.4	1,430.3	370.7	31.3
Disposals	–	–	–	(0.8)
Depreciation and amortisation	(7.6)	–	–	(13.8)
Closing net book value at 30 June 2007	5,106.8	3,134.7	551.1	332.6

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

10. Properties for sale

	30 June 2008 HK\$'M	31 December 2007 HK\$'M
Leasehold land and properties under development for sale	2,850.0	–
Completed properties	30.8	62.3
	2,880.8	62.3

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

11. Trade and other receivables, deposits and prepayments

	30 June 2008 HK\$'M	31 December 2007 HK\$'M
Trade receivables	265.9	261.8
Less: provision for impairment	(13.1)	(21.4)
Trade receivables (net of provision)	252.8	240.4
Other receivables, deposits and prepayments	190.7	88.9
	443.5	329.3

The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with industry practice. The following is an ageing analysis of the Group's trade receivables (net of provision) at the balance sheet date:

	30 June 2008 HK\$'M	31 December 2007 HK\$'M
Not yet due	155.2	98.5
1 – 30 days	57.5	75.8
31 – 90 days	24.5	42.3
Over 90 days	15.6	23.8
	252.8	240.4

The carrying values of trade receivables (net of provision) and other receivables, deposits and prepayments approximate their fair values.

12. Trade and other payables and accruals

	30 June 2008 HK\$'M	31 December 2007 HK\$'M
Trade payables	189.5	250.1
Other payables and accruals	669.8	444.8
Property sales proceeds received	59.1	–
	918.4	694.9

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

12. Trade and other payables and accruals (Continued)

The following is an ageing analysis of the Group's trade payables at the balance sheet date:

	30 June 2008 HK\$'M	31 December 2007 HK\$'M
0 – 30 days	135.4	236.3
31 – 90 days	8.3	9.4
Over 90 days	45.8	4.4
	189.5	250.1

The carrying values of the Group's trade and other payables and accruals approximate their fair values.

13. Bank loans

The bank loans carry interest at the prevailing market rates and are repayable as follows:

	30 June 2008 HK\$'M	31 December 2007 HK\$'M
Within one year	178.2	902.7
Between one to two years	449.9	577.0
Between three to five years	3,408.3	2,062.6
After five years	267.9	568.4
	4,304.3	4,110.7
Less: Amounts due within one year shown under current liabilities	(178.2)	(902.7)
Amounts due after one year	4,126.1	3,208.0

The carrying values of bank loans approximate their fair values.

Bank loans are secured by the Group's assets as follows:

	30 June 2008 HK\$'M	31 December 2007 HK\$'M
Investment properties	4,817.7	2,680.6
Freehold properties	62.1	62.4
Leasehold land and land use rights	3,297.6	5,754.2
Leasehold buildings	84.2	8.6
Properties under development	1,542.0	1,175.5
Properties for sale	2,780.1	–
Strategic investments	183.0	–
Bank deposits	22.2	21.0
	12,788.9	9,702.3

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

14. Other long-term loans

The loans are from minority shareholders of certain subsidiaries. All the loans are interest free, unsecured and have no fixed repayment terms. In the opinion of the Directors, demand for repayment of these loans will not be made within one year from the balance sheet date. The loans are therefore shown in the consolidated balance sheet as non-current liabilities.

The carrying values of other long-term loans approximate their fair values.

15. Share capital

	Number of shares	Amount HK\$'M
Ordinary shares of HK\$0.50 each		
Authorised:		
At 1 January 2007	1,320,000,000	660.0
Increase in authorised share capital	680,000,000	340.0
	<hr/>	<hr/>
At 31 December 2007 and 30 June 2008	2,000,000,000	1,000.0
	<hr/>	<hr/>
Issued and fully paid:		
At 1 January 2007	526,671,589	263.3
Issue of incentive shares	789,750	0.4
Issue of shares for acquisition of subsidiaries	460,035,579	230.0
	<hr/>	<hr/>
At 31 December 2007	987,496,918	493.7
Issue of incentive shares	500,250	0.3
	<hr/>	<hr/>
At 30 June 2008	987,997,168	494.0
	<hr/>	<hr/>

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

16. Business combination

In January 2008, the Group acquired 20% of equity interest in 瀋陽高棋房地產開發有限公司, 瀋陽雅潤房地產開發有限公司 and 瀋陽穗港白雲房地產投資開發有限公司 (collectively referred to "Shenyang companies"), through a jointly controlled entity which is 40% owned by the Group, for a cash consideration of HK\$31.0 million. The Shenyang companies are principally engaged in property development in the Mainland China.

Details of the net assets acquired attributable to the Group are as follows:

	Fair value HK\$'M	Shenyang companies' carrying amount HK\$'M
Leasehold land and land use rights	165.7	136.1
Properties under development	1.4	0.4
Other properties, plant and equipment	0.5	0.5
Strategic investments	0.9	0.9
Other non-current assets	103.6	103.6
Deferred tax assets	2.8	2.8
Properties for sales	42.7	13.6
Trade and other receivables, deposits and prepayments	19.4	19.4
Tax recoverable	0.5	0.5
Bank balances and cash	10.8	10.8
Trade and other payables and accruals	(121.3)	(121.3)
Bank loans	(112.4)	(112.4)
Tax payable	(0.2)	(0.2)
Deferred tax liabilities	(27.9)	–
Minority interests	(2.8)	(2.5)
	<u>83.7</u>	<u>52.2</u>
Minority interests	<u>(41.0)</u>	
Net assets acquired	<u>42.7</u>	
Purchase consideration satisfied by:		
Cash paid	31.0	
Transaction costs of the acquisition	11.7	
	<u>42.7</u>	
Purchase consideration settled in cash	(42.7)	
Cash and cash equivalents in subsidiaries acquired	10.8	
Net cash outflow arising from acquisition	<u>(31.9)</u>	

Adjustments have been made on Shenyang companies' carrying amount in order to conform with the Group's accounting policies and presentation.

Notes to the Condensed Consolidated Interim Financial Information

For the six months ended 30 June 2008

17. Commitments

	30 June 2008 HK\$'M	31 December 2007 HK\$'M
Expenditure in respect of properties under development held for investment purpose		
– contracted but not provided for in the financial statements	293.9	1,370.6
– authorised but not contracted for	–	11.1
Expenditure in respect of properties under development held for sale		
– contracted but not provided for in the financial statements	249.5	–
– authorised but not contracted for	11.2	–
Expenditure in respect of acquisition of other properties, plant and equipment		
– contracted but not provided for in the financial statements	1.7	0.6
– authorised but not contracted for	1.2	–
	557.5	1,382.3

18. Contingent liabilities

	30 June 2008 HK\$'M	31 December 2007 HK\$'M
Guarantees given to banks in respect of credit facilities extended to an associate	445.4	419.5
Other guarantees given to banks	1.9	1.9
	447.3	421.4

19. Significant related party transactions

The Group had significant transactions with related parties during the period as follows:

	Six months ended 30 June	
	2008 HK\$'M	2007 HK\$'M
Key management compensation		
Salaries and other benefits	8.6	8.0
Retirement benefits costs	0.4	0.3
	9.0	8.3
Interest income from associates	5.1	2.8
Project management fee income from associates	4.4	4.5
Project management fee income from a subsidiary of an investee company	–	1.2
Property rental income from a substantial shareholder of the Company	0.5	–

These transactions were carried out on terms mutually agreed between the parties involved.

Interim Dividend & Management Discussion and Analysis

INTERIM DIVIDEND

The Directors declared the payment of an interim dividend of HK 3.5 cents per share for the year ending 31 December 2008 (2007: HK 5.0 cents). The interim dividend will be distributed on or about 20 October 2008 to the shareholders whose names appear on the register of members of the Company on 10 October 2008.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2008, the Group reported a consolidated profit for the period attributable to the equity holders of the Company of HK\$328.7 million, compared with HK\$1,408.5 million for the same period in 2007. The decrease in profit for the period is mainly due to HK\$1,007.5 million discount on acquisition in 2007 arising from the excess of the Group's share of fair value of net assets of Winsor Properties Holdings Limited ("Winsor Properties") acquired over the cost of acquisition. Revenue for the Group was HK\$749.9 million in the period, compared with HK\$1,178.0 million in 2007.

Property

The Group's property division, which includes property development, property investment and management, and hospitality investment and management, recorded a segment profit of HK\$519.4 million in the first half of 2008, compared with HK\$608.9 million in 2007.

Property Development

For sale of properties, despite slow down of Hong Kong property market in the second quarter of this year, the Group has captured the right market opportunities by selling four villas of The Giverny since the beginning of 2008. Sale of three villas generating HK\$99.9 million turnover and HK\$62.0 million profit attributable to the Group has been recognised in the first half of 2008, and sale of the fourth villa will be recognised in the second half of 2008. Currently, there are only two villas available for sale.

The Group is participating in various property development projects in Hong Kong and Singapore with aggregate saleable gross floor area of approximately 2.6 million square feet, of which, approximately 550,000 square feet is attributable to the Group. All these projects are for the development of luxurious residential properties and will be available for market launches within one to two years.

In Hong Kong, construction of superstructure of the luxurious residential development at 2 Forfar Road (previously known as 157 Argyle Street) is underway. The development is scheduled for completion towards the end of 2009 and will provide approximately 100,000 square feet of saleable floor area attributable to the Group.

Management Discussion and Analysis

The Tai Po Town Lot Nos. 186, 187 and 188 projects joint-ventured with other developers are progressing according to plans. Foundation and superstructure works are expected to commence in the second half of 2008 and 2009 respectively. The sites will be developed into luxurious low-density residential developments with panoramic seaview. The Group has a 15% interest in each of the three sites and the aggregated attributable saleable floor area to the Group is approximately 300,000 square feet. These projects are expected to be completed between 2010 and 2011.

Foundation works for the Seymour Road, Mid-Levels project is planned to commence in the second half of 2008. The Group has a 30% interest in this project which will provide approximately 50,000 square feet of saleable floor space attributable to the Group. USI Properties Limited, a wholly-owned subsidiary, is appointed as the project manager. The project is expected to be completed in 2011.

In Singapore, the Group has a 30% interest in a luxurious condominium development at 15-33 Oxley Walk known as Belle Vue Residences. The development is scheduled for completion in 2010.

In China, the Group's 40/60 joint venture with Hongkong Land Group ("China JV") has acquired its first comprehensive property development project in Shenyang in the Pan Bohai Rim Region. The China JV, through cooperation with a local partner, holds 50% interest in a few development sites totaling approximately 960,000 square metres in the Shenbei District and the Hunnan District to develop high quality residences. Planning and design work on these sites is underway.

Property Investment and Management

The Group's interest in the commercial, industrial and retail properties in Hong Kong is now held through its subsidiary, Winsor Properties. As at 30 June 2008, the Group's portfolio of property investment amounted to 3.5 million square feet, of which 1.4 million square feet is Grade A office building and retail spaces, and 2.1 million square feet is industrial building.

As at 30 June 2008, the Group's portfolio of industrial properties had an aggregate fair market valuation of HK\$2,434.1 million, recorded a fair value gain of HK\$80.0 million from 31 December 2007. These buildings have achieved average occupancy rate of around 93% in the first half of 2008 and have continued to benefit from the upward rental reversion experienced in 2007 albeit in a slightly lesser extent.

W Square, located in the centre of the commercial district of Wan Chai, has its renovation completed in early 2008. The building now features 15 storeys of Grade A office space and 8 levels of dining, entertainment and retail options. The building has commanded a premium on the rental rates as compared with the neighboring buildings, and achieved satisfactory occupancy rate. According to the Group's accounting policy, upon completion of its renovation, the property is reclassified from "Property Under Development" to "Investment Property", resulting in a fair value gain of \$153.8 million recorded in the first half of 2008.

Management Discussion and Analysis

Landmark East, the 1.3 million square feet twin-tower Grade A office development in Kwun Tong, is targeted to obtain the occupation permit in September 2008. Active marketing and leasing campaign are currently underway. According to the Group's accounting policy, the property is recorded at cost and classified as "Property Under Development" as at 30 June 2008. Upon the grant of occupation permit, the property will be reclassified to "Investment Property".

Hospitality Investment and Management

In the first half of 2008, Lanson Place has strengthened its foothold in China and South East Asia by the opening of its Beijing serviced residences in June and the acquisition of a 50% equity interest in a luxury serviced apartment development in Kuala Lumpur.

Lanson Place Hong Kong boutique hotel, as one of the leading boutique hotel in Hong Kong, has achieved an average occupancy rate over 88% in the first half of 2008. The property has recorded a fair value gain of HK\$79.2 million in the period.

In China, Lanson Place Jin Lin Tian Di Residences in Shanghai, as one of the leading serviced residences for senior expatriates in Shanghai, has achieved an average occupancy rate of 95% in the first half of the year. In April, the management contract on Lanson Place Jin Lin Tian Di Residences has been renewed for 10 years. Lanson Place Central Park Residences in Beijing has soft-opened in June 2008, and the property is reclassified from "Property Under Development" to "Investment Property", resulting in a fair value gain of HK\$45.8 million in the first half of 2008.

In May 2008, the Group has formed a 50/50 joint venture with DNP Holdings Berhad, a subsidiary of Wing Tai Holdings Limited, to acquire a 115-unit luxurious residential development in the central business district of Kuala Lumpur, Malaysia. The development has a net floor area of approximately 200,000 square feet and will be developed into a new generation of Lanson Place Residences ready for operation in 2011.

Apparel

The Group's apparel operation, comprised of garment manufacturing, trading, and branded products distribution, generated an aggregate turnover of HK\$442.6 million in the first half of 2008, compared to HK\$427.0 million in 2007. The segment loss for the period is HK\$22.9 million for continuing operation and HK\$18.0 million for discontinued operation, compared with HK\$42.8 million loss in 2007.

During the six months ended 30 June 2008, cessation of non-profitable manufacturing and trading business units have been carried out on schedule according to the restructuring plan determined in late 2007. The related restructuring costs have been substantially provided for in the 2007 accounts. The loss on discontinued operation will be insignificant in the second half of 2008 upon completion of the cessation.

Management Discussion and Analysis

Investing Activities

The Group's investing activities reported a segment profit of HK\$52.1 million in the first half of 2008, compared to a loss of HK\$0.7 million in 2007. The increase in the segment results was resulted from dividend income and realised/unrealised gains less losses on the Group's investment held by Winsor Properties.

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's net assets totaled HK\$8,872.2 million as at 30 June 2008 (31 December 2007: HK\$8,493.0 million). The increase was resulted from the profit for the period of HK\$438.8 million and the distribution of the 2007 final dividend of HK\$64.2 million in the first half of 2008.

As at 30 June 2008, the Group's net borrowings (total bank borrowings and other long-term loans net of bank balances and cash) was HK\$3,987.3 million (31 December 2007: HK\$2,361.6 million), representing 44.9% of the Group's net assets (31 December 2007: 27.8%). The increase in net borrowings and gearing ratio was mainly due to increase in construction loan on property development projects in the first half of 2008. Interest for the Group's bank borrowings was mainly on a floating rate basis. Around 95.7 % of the Group's bank borrowings was repayable in periods beyond one year. The Group had unutilised banking facilities in excess of HK\$1,587.1 million as at 30 June 2008 (31 December 2007: HK\$591.0 million).

Foreign Currencies

The Group principally operates in Hong Kong, and as a result, has minimal exposure to exchange rate fluctuation. The Group conducts its business mainly in Hong Kong Dollars, Renminbi and United States Dollars. For transactions in other foreign currencies, the Group will closely monitor the exposure, and if consider appropriate, hedge to the extent desirable.

Contingent Liabilities

As at 30 June 2008, the Group's contingent liabilities were guarantees given to banks of HK\$447.3 million (31 December 2007: HK\$421.4 million).

Pledge of Assets

At 30 June 2008, the Group's advances to associates/jointly controlled entities HK\$1,042.9 million (31 December 2007: HK\$863.2 million) were subordinated to the loan facilities of associates/jointly controlled entities. The shares in these associates/jointly controlled entities beneficially owned by the Group are pledged to the financial institutions.

At 30 June 2008, certain of the Group's investment properties, freehold properties, leasehold land and land use rights, leasehold buildings, properties under development, properties for sale, strategic investments and bank deposits with carrying values of HK\$4,817.7 million, HK\$62.1 million, HK\$3,297.6 million, HK\$84.2 million, HK\$1,542.0 million, HK\$2,780.1 million, HK\$183.0 million and HK\$22.2 million respectively were pledged to secure credit facilities for the Group.

Management Discussion and Analysis

PROSPECTS

For the second half of 2008, the Group is cautiously optimistic about the prospects in Hong Kong and China. The economic downturn overseas brought about by the subprime crisis and credit crunch is creating an uncertain business environment in Asia.

On the positive front, domestic consumption and the rapid emergence of wealth will continue in China. Demand for high quality residences from Hong Kong home buyers will be maintained, supported by a relatively low interest rate, low unemployment rate and aggressive government infrastructure spending. We expect the solid economic fundamentals of Hong Kong and China will continue to drive their growth, albeit at a slower pace, this year.

Against this market dynamics, opportunities are still available to the Group to further its expansion in Hong Kong and China which will provide us with solid earnings for years to come.

For our property development business, we expect the sales of our quality projects on Forfar Road and Seymour Road, the Pak Shek Kok development in Tai Po, and the Belle Vue Residences in Singapore at the right market opportunity will enhance our earnings and financial strengths.

The continued demand for office space in Hong Kong should provide a steady rental reversion and improved occupancy for all of our investment properties. Our portfolio will increase to 3.5 million square feet upon the completion of our commercial property Landmark East in the third quarter of 2008. We are confident that by capitalising on stable market demand, the upcoming leasing of Landmark East will further strengthen the Group's recurrent income base and cash flow.

For our hospitality business, Lanson Place will continue to expand and become a strong Pan-Asia brand. At the same time, we expect our joint venture with Hongkong Land will provide us promising returns and sustainable growth as the joint venture develops the Shenyang project and continues to search for attractive investment opportunities. With further consolidation in the China property market, the joint venture will continue to identify suitable projects in the economically-vibrant cities to increase our foothold in China.

With our stronger platform, the Group is more resilient during volatile market, more dynamic to seize market opportunity, and more vibrant in building our future.

Management Discussion and Analysis

EMPLOYEES

As at 30 June 2008, the Group had about 5,100 staff and workers. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to the prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme to provide retirement benefits for all of its employees in Hong Kong. In addition, there is a defined contribution top-up scheme for qualifying employees of certain Hong Kong subsidiaries of the Group. The Group also operates a funded defined benefit pension scheme for certain overseas employees engaged prior to May 2001.

Employees, including executive directors, are eligible under the Company's share option scheme and share incentive scheme in which the share options and incentive shares are generally exercisable within a period of ten years.

General Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2008, the interests of the Directors and the Chief Executive of the Company in shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

1. Interests in the Company

Director	Number of ordinary shares held				Number of underlying shares held under equity derivatives (Note e)	Aggregate interests	Percentage of the issued share capital (Note a)
	Personal interests	Family interests	Corporate interests	Other interests			
Cheng Wai Chee, Christopher	2,594,249	–	148,439,086 (Note b)	332,152,024 (Note c)	954,750	484,140,109	49.00%
Cheng Wai Sun, Edward	2,654,750	–	–	332,152,024 (Note c)	818,250	335,625,024	33.97%
Cheng Man Piu, Francis	–	–	–	332,152,024 (Note c)	–	332,152,024	33.62%
Ng Tak Wai, Frederick	150,500	762,000	–	–	74,500	987,000	0.10%
Au Hing Lun, Dennis	546,750	–	–	–	228,250	775,000	0.08%
Kwok Ping Luen, Raymond	–	–	–	6,918,425 (Note d)	–	6,918,425	0.70%
Simon Murray	–	–	–	–	1,000,000	1,000,000	0.10%

Notes:

- (a) The total number of issued shares in the capital of the Company (the "Share") as at 30 June 2008 was 987,997,168.
- (b) Mr. Cheng Wai Chee, Christopher was deemed to be interested in 148,439,086 Shares 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 Shares respectively.
- (c) Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis were beneficiaries of a family trust whose assets include indirect interests in 332,152,024 Shares beneficially owned by Brave Dragon Limited, Wing Tai Retail Pte. Ltd. (formerly Wing Tai Garment Manufactory (Singapore) Pte Limited) and Crossbrook Group Limited as set out under the section headed "Substantial Shareholders' Interests" below.
- (d) Mr. Kwok Ping Luen, Raymond was a beneficiary of a trust the assets of which include interests in 6,918,425 Shares.
- (e) These interests represented the interests in underlying shares in respect of the share options and incentive shares granted by the Company to these directors as beneficial owners, details of which are set out in the section below headed Share Option Scheme or Share Incentive Scheme.

General Information

2. Interests in associated corporation, Winsor Properties Holdings Limited (“Winsor”)

Director	Number of ordinary shares held				Aggregate interests	Percentage of the issued share capital of Winsor (Note a)
	Personal interests	Family interests	Corporate interests	Other interests		
Cheng Wai Chee, Christopher	–	27,000	–	205,835,845 (Note b)	205,862,845	79.27%
Cheng Wai Sun, Edward	–	–	–	205,835,845 (Note b)	205,835,845	79.26%
Cheng Man Piu, Francis	–	–	–	205,835,845 (Note b)	205,835,845	79.26%
Chow Wai Wai, John	2,713,000	–	–	–	2,713,000	1.04%
Kwok Ping Luen, Raymond	500	–	–	–	500	0.0002%

Notes:

- (a) The total number of issued shares in the capital of Winsor as at 30 June 2008 was 259,685,288.
- (b) Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis were beneficiaries of a family trust whose assets include indirect interests in 205,835,845 shares of Winsor (“Winsor Shares”) beneficially owned by Twin Dragon Investments Limited (42,900,887 Winsor Shares), Shui Hing Textile International Limited (90,500 Winsor Shares) and the Company (162,844,458 Winsor Shares).

Save as disclosed herein, as at 30 June 2008, none of the Directors or the Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

General Information

SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 30 June 2008, the following persons (other than the Directors and the Chief Executive of the Company) had interests in the shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name of Shareholder	Total Interests in Number of Shares	Percentage of shareholding
Brave Dragon Limited	106,345,862	10.76%
Crossbrook Group Limited	202,808,162	20.53%
Wing Tai Holdings Limited	332,152,024	33.62% (Note 2)
Deutsche Bank International Trust Co. (Jersey) Limited	332,152,024	33.62% (Note 3)
Deutsche Bank International Trust Co. (Cayman) Limited	332,152,024	33.62% (Note 3)
Wing Tai Corporation Limited	135,446,118	13.71% (Note 4)
Renowned Development Limited	135,446,118	13.71% (Note 4)
Wing Tai (Cheng) Holdings Limited	148,439,086	15.02% (Note 5)
Sun Hung Kai Properties Limited	136,956,400	13.86% (Note 6)
Gala Land Investment Co Ltd	76,184,600	7.71%
Franham Group Ltd	76,184,600	7.71% (Note 7)
Chou Wen Hsien	112,824,744	11.42% (Note 8)
Chou Yim Wan Chun, Ina	112,824,744	11.42% (Note 8)
Chow Chung Kai	112,609,202	11.40% (Note 9)
Chow Yu Yue Chen	112,609,202	11.40% (Note 9)

General Information

Notes:

- (1) The total number of issued Shares as at 30 June 2008 was 987,997,168.
- (2) Wing Tai Holdings Limited beneficially owned 89.4% of the issued share capital of Brave Dragon Limited, 100% of the issued share capital of Crossbrook Group Limited and 100% of the issued shares capital of Wing Tai Retail Pte. Ltd. (formerly Wing Tai Garment Manufactory (Singapore) Pte Limited). Wing Tai Retail Pte. Ltd. owned 22,998,000 Shares.
- (3) Deutsche Bank International Trust Co. (Jersey) Limited was the trustee of a family trust (of which Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis were beneficiaries) which held all units of a unit trust ("Unit Trust"). Deutsche Bank International Trust Co. (Cayman) Limited was the trustee of the Unit Trust which beneficially owned 100% of the issued shares of Wing Tai Asia Holdings Limited and 61.3% of the issued shares of Terebene Holdings Inc. Wing Tai Asia Holdings Limited, through its wholly-owned subsidiary, Wing Sun Development Private Limited, held 28.08% of the issued shares of Wing Tai Holdings Limited. Terebene Holdings Inc. held 59.3% of the issued shares of Winlyn Investment Pte Ltd. which in turn held 9.19% of the issued shares of Wing Tai Holdings Limited.
- (4) Wing Tai Corporation Limited beneficially owned 100% of the issued share capital of Bestime Resources Limited ("Bestime") and Pofung Investments Limited ("Pofung") and, therefore, by virtue of its corporate interest in Bestime and Pofung, Wing Tai Corporation Limited was deemed to be interested in 68,747,996 Shares and 66,698,122 Shares held by Bestime and Pofung respectively.

By virtue of the corporate interest of Renowned Development Limited in Wing Tai Corporation Limited, the former was deemed to be interested in the latter's interest in the Shares.
- (5) By virtue of the corporate interest of Wing Tai (Cheng) Holdings Limited in Renowned Development Limited and Broxbourne Assets Limited, Wing Tai (Cheng) Holdings Limited was deemed to be interested in the interest of Renowned Development Limited and Broxbourne Assets Limited in the Shares. Broxbourne Assets Limited beneficially owned 12,992,968 Shares.
- (6) Sun Hung Kai Properties Limited ("SHKP") beneficially owned 100% of the issued share capital of Wesmore Limited ("Wesmore"), Fourseas Investments Limited ("Fourseas"), Junwall Holdings Ltd ("Junwall"), Sunrise Holdings Inc. ("Sunrise") and Country World Ltd. ("Country World"). Wesmore held 83,946,158 Shares.

Fourseas beneficially owned 100% of the issued share capital of Soundworld Limited ("Soundworld"), Units Key Limited ("Units Key") and Triple Surge Limited ("Triple Surge"). Soundworld, Units Key and Triple Surge were the beneficial owners of 15,651,992, 3,502,000 and 28,260,000 Shares respectively.

Junwall beneficially owned 100% of the issued share capital of Techglory Limited ("Techglory"). Techglory was the beneficial owner of 144,000 Shares.

Sunrise beneficially owned 100% of the issued share capital of Charmview International Ltd ("Charmview"). Charmview was the beneficial owner of 5,356,200 Shares.

Country World beneficially owned 100% of the issued share capital of Erax Strong Development Ltd ("Erax Strong"). Erax Strong was the beneficial owner of 96,050 Shares.

By virtue of the corporate interest of SHKP in the aforesaid companies, SHKP was deemed to be interested in the interest of Wesmore, Soundworld, Units Key, Triple Surge, Techglory, Charmview and Erax Strong in the Shares.
- (7) Franham Group Ltd beneficially owned 100% of the issued share capital of Gala Land Investment Co Ltd ("Gala Land"), therefore, it was deemed to be interested in the Shares held by Gala Land by virtue of its corporate interest in it.

General Information

- (8) Mr. Chou Wen Hsien and his wife, Madam Chou Yim Wan Chun, Ina held 28,910,696 and 7,729,448 Shares respectively.

Mr. Chou Wen Hsien was entitled to exercise 50% of the voting power of Franham Group Ltd, which in turn owned 100% of the issued share capital of Gala Land.

By virtue of the family interest and the corporate interest in Franham Group Ltd, each of Mr. Chou Wen Hsien and Madam Chou Yim Wan Chun, Ina was deemed to be interested in 112,824,744 Shares.

- (9) Mr. Chow Chung Kai and his wife, Madam Chow Yu Yue Chen held 36,399,177 and 25,425 Shares respectively.

Mr. Chow Chung Kai was entitled to exercise 50% of the voting power of Franham Group Ltd, which in turn owned 100% of the issued share capital of Gala Land.

By virtue of the family interest and corporate interest in Franham Group Ltd, each of Mr. Chow Chung Kai and Madam Chow Yu Yue Chen was deemed to be interested in 112,609,202 Shares.

Save as disclosed above, as at 30 June 2008, the Company had not been notified of any interests or short positions held by any substantial shareholder in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

INTERESTS OF ANY OTHER PERSONS

As at 30 June 2008, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

General Information

SHARE OPTION SCHEME

Under the Share Option Scheme of the Company adopted on 10 June 2003 ("Share Option Scheme"), the Board of the Company may, in its absolute discretion, grant options to directors and employees of the Group to subscribe for shares of the Company. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives for their contributions to the Group.

Details of the share options granted and summary of the movements of the outstanding share options during the six months ended 30 June 2008 under the Share Option Scheme are as follows:

Director	Date of grant	Exercise price per ordinary share	Number of share options				As at 30.6.2008	Exercisable period	Fair value of share options amortized (HK\$)
			As at 1.1.2008	Grant during the period	Exercised during the period	Cancelled/Lapsed during the period			
Simon Murray	19.4.2005	HK\$2.125	1,000,000	-	-	-	1,000,000	19.4.2006 to 18.4.2010	39,000

Note: The share options granted are exercisable during the period from 19 April 2006 to 18 April 2010 and subject to a vesting scale in tranches of 25 per cent per annum starting from the first anniversary of the date of grant.

SHARE INCENTIVE SCHEME

Under a Share Incentive Scheme approved by shareholders of the Company on 17 June 2005 ("Share Incentive Scheme"), the Board of Directors of the Company or a duly authorized committee thereof may in its absolute discretion make offer of awards to selected employees (including executive directors) of the Group ("Eligible Employees") to subscribe in cash at par value for shares of the Company.

The Share Incentive Scheme is a long-term incentive arrangement for the Eligible Employees, the purpose of which is to recognize, motivate and provide incentives to those who make contribution to the Group, to help the Group retain its existing employees and recruit additional employees who will be valuable to the Group, and to provide existing and future employees with direct economic interests in the long-term development and growth of the Group.

General Information

Details of the incentive shares granted and summary of the movements of the outstanding incentive shares during the six months ended 30 June 2008 under the Share Incentive Scheme are as follows:

	Date of award	Number of incentive shares				As at 30.6.2008	Vesting date/period of the outstanding awards	Exercisable period	Fair value of incentive shares amortized (HK\$)
		As at 1.1.2008	Awards made during the period	Vested and exercised during the period	Cancelled/lapsed during the period				
Director									
Cheng Wai Chee, Christopher	13.9.2005	300,000	-	-	-	300,000	13.9.2008	13.9.2008 to 12.9.2015	77,000
	25.4.2006	409,500	-	-	-	409,500	12.1.2008 to 12.1.2009	12.1.2008 to 11.1.2016	138,000
	26.7.2007	327,000	-	81,750	-	245,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017	343,000
Cheng Wai Sun, Edward	13.9.2005	300,000	-	-	-	300,000	13.9.2008	13.09.2008 to 12.9.2015	77,000
	25.4.2006	409,500	-	136,500	-	273,000	12.1.2009	12.1.2009 to 11.1.2016	138,000
	26.7.2007	327,000	-	81,750	-	245,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017	343,000
Ng Tak Wai, Frederick	13.9.2005	45,000	-	-	-	45,000	13.9.2008	13.9.2008 to 12.9.2015	12,000
	25.4.2006	44,250	-	14,750	-	29,500	12.1.2009	12.1.2009 to 11.1.2016	15,000
Au Hing Lun, Dennis	13.9.2005	75,000	-	-	-	75,000	13.9.2008	13.9.2008 to 12.9.2015	19,000
	25.4.2006	82,500	-	27,500	-	55,000	12.1.2009	12.1.2009 to 11.1.2016	28,000
	26.7.2007	131,000	-	32,750	-	98,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017	138,000
Employees	13.9.2005	112,500	-	-	-	112,500	13.9.2008	13.9.2008 to 12.9.2015	28,000
	25.4.2006	159,750	-	53,250	-	106,500	12.1.2009	12.1.2009 to 11.1.2016	54,000
	29.6.2006	15,000	-	-	-	15,000	29.6.2008 to 28.6.2009	29.6.2008 to 28.6.2016	6,000
	26.7.2007	288,000	-	72,000	-	216,000	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017	291,000
	26.7.2007	37,000	-	-	-	37,000	17.7.2008 to 17.7.2010	17.7.2008 to 26.7.2017	39,000
		3,063,000	-	500,250	-	2,562,750			1,746,000

Note: Subscription price per share is the par value of one ordinary share of the Company. Funds for subscription of ordinary shares will be provided by the Company when the right to subscribe for ordinary shares of the Company is exercised.

DISCLOSURE PURSUANT TO RULE 13.22 OF THE LISTING RULES

At 30 June 2008, the aggregate amount of financial assistance to and guarantees given for facilities granted to affiliated companies by the Group amounted to HK\$3,216.8 million which exceeded 8% of the assets ratio as defined in Rule 14.07(1) of the Listing Rules.

An unaudited pro-forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 30 June 2008 are presented below:

	Pro-forma combined balance sheet (HK\$'M)	Group's attributable interest (HK\$'M)
Non-current assets	17,145.7	3,467.4
Current assets	2,411.9	643.9
Current liabilities	(1,893.5)	(545.1)
Non-current liabilities	(14,288.3)	(2,583.3)
Amounts and loans due from shareholders	8,849.9	2,252.2
Amounts and loans due to shareholders	(7,757.2)	(1,608.9)
Net assets	<u>4,468.5</u>	<u>1,626.2</u>

AUDIT COMMITTEE

The Audit Committee has reviewed with the management and the auditor of the Company the unaudited interim financial report and considered the significant accounting principles and policies adopted by the Company and discussed with the management the internal control and financial reporting matters in respect of this interim report.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied throughout the six months ended 30 June 2008 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules except that the non-executive directors of the Company have not been appointed for any specific terms as they are subject to retirement by rotation and re-election at the Company's annual general meeting in accordance with the Company's bye-laws.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its code of conduct for securities transactions by directors of the Company.

All directors have confirmed, following specific enquiry by the Company, that they have fully complied with the required standard set out in the Model Code throughout the period from 1 January to 30 June 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 8 October 2008 to 10 October 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the entitlement of the interim dividend, all transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong Branch Share Registrars, Tricor Standard Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on 6 October 2008.

General Information

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.

BOARD OF DIRECTORS

Executive Directors

CHENG Wai Chee, Christopher *GBS JP*
(*Chairman*)
CHENG Wai Sun, Edward *SBS JP*
(*Deputy Chairman and Chief Executive*)
CHENG Man Piu, Francis
CHOW Wai Wai, John
NG Tak Wai, Frederick
AU Hing Lun, Dennis

Non-Executive Directors

KWOK Ping Luen, Raymond
WONG Yick Kam, Michael
(*also an alternate to KWOK Ping Luen,*
Raymond)
HONG Pak Cheung, William
LOH Soo Eng

Independent Non-Executive Directors

Simon MURRAY *CBE*
FANG Hung, Kenneth *GBS JP*
YEUNG Kit Shing, Jackson

AUDIT COMMITTEE MEMBERS

YEUNG Kit Shing, Jackson (*Chairman*)
FANG Hung, Kenneth *GBS JP*
WONG Yick Kam, Michael
HONG Pak Cheung, William
(*alternate to WONG Yick Kam, Michael*)

REMUNERATION COMMITTEE MEMBERS

CHENG Wai Chee, Christopher *GBS JP*
(*Chairman*)
CHENG Wai Sun, Edward *SBS JP*
Simon MURRAY *CBE*
FANG Hung, Kenneth *GBS JP*
YEUNG Kit Shing, Jackson

QUALIFIED ACCOUNTANT, COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

FUNG Ching Man, Janet

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS TO THE COMPANY

Slaughter and May (*as to Hong Kong Laws*)
Appleby (*as to Bermuda Laws*)

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank
Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRARS AND TRANSFER OFFICE

The Bank of Bermuda Limited
6 Front Street, Hamilton, HM 11
PO Box HM 1020
Hamilton HM DX, Bermuda

HONG KONG BRANCH SHARE REGISTRARS AND TRANSFER OFFICE

Tricor Standard Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court, 22 Victoria Street
Hamilton HM 12, Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

25th Floor, Unimix Industrial Centre
2 Ng Fong Street, San Po Kong
Kowloon, Hong Kong

COMPANY WEBSITE

<http://www.usi.com.hk>

HONG KONG STOCK EXCHANGE STOCK CODE

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