

USI HOLDINGS LIMITED

富聯國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 369)

INTERIM REPORT 2009



Corporate Information

BOARD OF DIRECTORS

Executive Directors

CHENG Wai Chee, Christopher *GBS OBE 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 *JP*

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 CBE JP*

YEUNG Kit Shing, Jackson

AUDIT COMMITTEE MEMBERS

YEUNG Kit Shing, Jackson (Chairman)

FANG Hung, Kenneth *GBS CBE JP*

WONG Yick Kam, Michael

HONG Pak Cheung, William
(alternate to Wong Yick Kam, Michael)

REMUNERATION COMMITTEE MEMBERS

CHENG Wai Chee, Christopher *GBS OBE JP*
(Chairman)

CHENG Wai Sun, Edward *SBS JP*

Simon MURRAY *CBE*

FANG Hung, Kenneth *GBS CBE JP*

YEUNG Kit Shing, Jackson

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 (Hong Kong) Limited

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

369

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Chairman's Statement

Dear Shareholders,

In the first half of 2009, although the global economy has shown signs of recovery as recessionary pressures ease, there is still uncertainty as to whether the current economic rebound will be sustainable. The operating environment for the Group's businesses during the period remained challenging. The Group recorded net profit of HK\$7.0 million during the period which represented a drop of 98% over that of last year due to a lack of property sales revenue and a soft leasing uptake of Landmark East.

While the local residential property market began to stabilise in the first three months of 2009 and rebounded strongly in the second quarter, leasing demand for commercial properties remained weak throughout the period under review.

Forfar, the latest development launched by the Group in Hong Kong, is specially targeted at the high end luxurious market with unit sizes ranging from 2,300 to 2,500 square feet. Featuring a full curtain wall architecture designed by world renowned architect, Arquitectonica, the development highlights the newest residential concept of the Group and is set to become an iconic landmark in the traditionally exclusive residential area. Because of this new concept, the launch has successfully attracted both investors and end-users with 60% of the units sold within two weeks. The Group's other residential property projects are progressing according to plan and are expected to come on stream for launch within the next eighteen months.

Our newly launched commercial property, Landmark East, was faced with a drop in office demand resulting from the financial crisis and increased supply of office space in the Kowloon East area. Rental uptake has been slow.

However, the other properties on our investment portfolio continued to deliver stable recurring income to the Group. W Square continued to be over 95% leased, confirming its position as an attractive alternative for multinational companies looking for quality office space at competitive cost. Average occupancy of the Group's industrial properties during the period decreased only slightly and still held on to a satisfactory level of about 90%.

Asia's hospitality industry has been adversely affected by the global economic downturn and the H1N1 flu virus during the period. Despite this difficult operating environment, the Group's serviced apartment operations continue to deliver outstanding results. Our newest property, Lanson Place Central Park in Beijing, has outperformed the Beijing serviced apartment market by achieving 80% occupancy in 12 months since its full opening in September 2008. Our Shanghai property, Lanson Place Jin Lin Tian Di, continues to lead the Shanghai serviced apartment market by maintaining over 80% occupancy. These results demonstrate the robustness of the Group's serviced apartment operating model.

Although the operating environment in the first half of 2009 was challenging, we believe the solid foundation that we have laid down for our business in the past years will help position the Group for opportunities that lie ahead when the market recovers. I would like to take this opportunity to thank our staff and shareholders for their loyalty and dedication during such difficult time.

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 4 September 2009

Condensed Consolidated Income Statement

For the six months ended 30 June 2009

INTERIM RESULTS

The Board of Directors (the "Directors") of USI Holdings Limited (the "Company") presents the unaudited condensed consolidated interim financial information ("Interim Financial Information") of the Company and its subsidiaries (the "Group") and its jointly controlled entities for the six months ended 30 June 2009.

	Note	Unaudited Six months ended 30 June	
		2009 HK\$'M	2008 HK\$'M
Revenue	4	417.0	749.9
Cost of sales		(228.1)	(416.6)
Gross profit		188.9	333.3
Other gains, net		77.6	38.3
Selling and distribution costs		(69.1)	(64.9)
Administrative expenses		(112.2)	(169.4)
Change in fair value of investment properties		(8.0)	358.9
Profit from operations	5	77.2	496.2
Finance income		15.2	18.0
Finance costs		(41.9)	(34.2)
Share of results of associates		(5.2)	1.8
Profit before taxation		45.3	481.8
Taxation	6	(16.4)	(43.0)
Profit for the period		28.9	438.8
Attributable to:			
Equity holders of the Company		7.0	328.7
Minority interests		21.9	110.1
		28.9	438.8
Dividends	7	29.6	98.8
Earnings per share for profit attributable to equity holders of the Company (expressed in HK dollar per share)			
– Basic	8	HK\$0.01	HK\$0.33
– Diluted		HK\$0.01	HK\$0.33

The notes on pages 10 to 20 are an integral part of this Interim Financial Information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2009

	Unaudited Six months ended 30 June	
	2009 HK\$'M	2008 HK\$'M
Profit for the period	28.9	438.8
Exchange differences on translation of foreign operations	(8.0)	26.8
Net (loss)/gain on cash flow hedge	(3.9)	5.4
Net surplus/(deficit) arising on revaluation of available-for-sale financial assets	33.2	(15.3)
Loss on disposal of available-for-sale financial assets	–	(28.5)
Gain on disposal of subsidiaries	–	0.6
Other comprehensive income/(loss) for the period, net of tax	21.3	(11.0)
Total comprehensive income for the period	50.2	427.8
Attributable to:		
Equity holders of the Company	22.1	315.4
Minority interests	28.1	112.4
	50.2	427.8

The notes on pages 10 to 20 are an integral part of this Interim Financial Information.

Condensed Consolidated Balance Sheet

As at 30 June 2009

	<i>Note</i>	Unaudited 30 June 2009 HK\$'M	Audited 31 December 2008 HK\$'M
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights	9	41.5	41.8
Investment properties	9	10,096.5	10,098.1
Other properties, plant and equipment	9	219.1	181.5
Interests in associates		609.0	609.6
Available-for-sale financial assets		331.8	301.2
Deferred tax assets		9.0	9.7
Loans and receivables		378.2	273.3
Held-to-maturity investments		28.2	25.4
		11,713.3	11,540.6
Current assets			
Inventories		124.8	87.5
Properties for sale	10	3,249.4	3,115.9
Loans and receivables		24.8	23.4
Trade and other receivables, deposits and prepayments	11	251.6	435.5
Available-for-sale financial assets		3.3	2.9
Derivative financial instruments		–	0.6
Sales proceeds held in stakeholders' accounts		3.2	–
Amounts due from associates		2.2	0.5
Tax recoverable		4.1	4.7
Pledged bank deposits		80.8	80.2
Bank balances and cash		566.0	496.2
		4,310.2	4,247.4
Current liabilities			
Trade and other payables and accruals	12	692.7	741.6
Derivative financial instruments		40.0	40.4
Amounts due to associates		19.4	19.5
Tax payable		66.5	59.9
Short-term bank borrowings and overdrafts		4.5	0.6
Bank loans due within one year	13	651.9	489.0
		1,475.0	1,351.0
Net current assets		2,835.2	2,896.4
Total assets less current liabilities		14,548.5	14,437.0

Condensed Consolidated Balance Sheet

As at 30 June 2009

	<i>Note</i>	Unaudited 30 June 2009 HK\$'M	Audited 31 December 2008 HK\$'M
Non-current liabilities			
Bank loans due after one year	13	4,565.7	4,432.9
Derivative financial instruments		57.9	105.8
Other long-term loans	14	42.3	42.3
Deferred tax liabilities		1,182.7	1,175.8
		5,848.6	5,756.8
NET ASSETS		8,699.9	8,680.2
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	15	494.7	494.5
Reserves		6,733.5	6,724.0
		7,228.2	7,218.5
Minority interests		1,471.7	1,461.7
TOTAL EQUITY		8,699.9	8,680.2

The notes on pages 10 to 20 are an integral part of this Interim Financial Information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Unaudited											
	Capital and reserves attributable to equity holders of the Company											
	Share capital	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
HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
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
Total comprehensive income for the six months ended 30 June 2008	-	-	4.2	(34.7)	-	-	17.2	-	328.7	315.4	112.4	427.8
Acquisition of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	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
Total comprehensive income for the six months ended 31 December 2008	-	-	(39.8)	51.0	-	21.8	(2.1)	-	(135.3)	(104.4)	(37.6)	(142.0)
Acquisition of jointly controlled entities	-	-	-	-	-	-	-	-	-	-	(12.0)	(12.0)
Reversal of effect of partial disposal of subsidiaries	-	-	-	-	-	-	-	-	-	-	0.6	0.6
Value of employee services relating to grants of share options and incentive shares	-	-	-	-	3.6	-	-	-	-	3.6	-	3.6
Incentive shares exercised	-	-	-	-	(2.1)	-	-	-	-	(2.1)	-	(2.1)
Shares issued under share incentive scheme	0.5	2.4	-	-	-	-	-	-	-	2.9	-	2.9
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(8.4)	(8.4)
2008 interim dividend paid	-	-	-	-	-	-	-	(34.6)	-	(34.6)	-	(34.6)
At 31 December 2008	494.5	2,853.4	(63.0)	-	7.0	33.9	34.3	371.9	3,486.5	7,218.5	1,461.7	8,680.2

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Unaudited											
	Capital and reserves attributable to equity holders of the Company											
	Share capital	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
HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M	HK\$'M
At 1 January 2009	494.5	2,853.4	(63.0)	-	7.0	33.9	34.3	371.9	3,486.5	7,218.5	1,461.7	8,680.2
Total comprehensive income for the six months ended 30 June 2009	-	-	(3.0)	26.2	-	-	(8.1)	-	7.0	22.1	28.1	50.2
Acquisition of minority interests	-	-	-	-	-	-	-	-	-	-	(0.7)	(0.7)
Value of employee services relating to grants of share options and incentive shares	-	-	-	-	2.2	-	-	-	-	2.2	-	2.2
Incentive shares exercised	-	-	-	-	(1.3)	-	-	-	-	(1.3)	-	(1.3)
Shares issued under share incentive scheme	0.2	1.3	-	-	-	-	-	-	-	1.5	-	1.5
Capital injection by minority shareholders	-	-	-	-	-	-	-	-	-	-	0.9	0.9
Dividend paid to minority shareholders	-	-	-	-	-	-	-	-	-	-	(18.3)	(18.3)
2008 final dividend paid	-	-	-	-	-	-	-	(14.8)	-	(14.8)	-	(14.8)
At 30 June 2009	494.7	2,854.7	(66.0)	26.2	7.9	33.9	26.2	357.1	3,493.5	7,228.2	1,471.7	8,699.9

The notes on pages 10 to 20 are an integral part of this Interim Financial Information.

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

	Unaudited Six months ended 30 June	
	2009 HK\$'M	2008 HK\$'M
Net cash used in operating activities	(48.3)	(142.8)
Cash flows from investing activities		
Acquisition of jointly controlled entities	–	(31.9)
Other investing cash flows	(142.9)	(1,265.5)
Net cash used in investing activities	(142.9)	(1,297.4)
Net cash generated from financing activities	258.7	125.4
Effect of foreign exchange rate changes	2.8	0.3
Increase/(decrease) in cash and cash equivalents	70.3	(1,314.5)
Cash and cash equivalents at the beginning of the period	495.6	1,798.6
Cash and cash equivalents at the end of the period	565.9	484.1
Analysis of the balances of cash and cash equivalents		
Bank balances and cash	566.0	488.1
Bank overdrafts	(0.1)	(4.0)
	565.9	484.1

The notes on pages 10 to 20 are an integral part of this Interim Financial Information.

Notes to the Interim Financial Information

For the six months ended 30 June 2009

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 is an investment holding company. Its principal subsidiaries are engaged in property development, property investment and management, hospitality investment and management, garment manufacturing and trading, branded products distribution and investing activities. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

The Group's jointly controlled entities and associates are principally engaged in property investment and property development.

This Interim Financial Information is presented in million of Hong Kong dollars (HK\$'M), unless otherwise stated. It has been approved for issue by the Board of Directors on 4 September 2009.

2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2009 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"). It should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2008.

The interim results for the six months ended 30 June 2009 are unaudited, but reviewed by PricewaterhouseCoopers, the Company's auditor in accordance with the Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of Entity" issued by the HKICPA. The interim results have also been reviewed by the Company's Audit Committee.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the Interim Financial Information are consistent with those adopted and as described in the Company's annual financial statements for the year ended 31 December 2008, except for the adoption of new standards and interpretations as of 1 January 2009, noted below.

The following new or revised standards are mandatory for accounting periods beginning on or after 1 January 2009 and were adopted by the Group in the current period:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 32 (Amendment) & HKAS 1 (Amendment)	Financial instruments: presentation & presentation of financial statements – puttable financial instruments and obligations arising on liquidation
HKFRS 1 (Amendment) & HKAS 27 (Amendment)	First time adoption of HKFRS & consolidated and separate financial statements on cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendment)	Share-based payment on vesting conditions and cancellations
HKFRS 8	Operating segments
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 15	Agreements for the construction of real estate
HK(IFRIC)-Int 16	Hedges of a net investment in foreign operation
HKASs (Amendments)	Improvements to existing standards effective on or after 1 January 2009

Except for HKAS 1 (Revised) and HKFRS 8, the adoption of the other new or revised standards stated above did not have any significant impacts to the Group's Interim Financial Information in both periods.

Notes to the Interim Financial Information

For the six months ended 30 June 2009

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

HKAS 1 (Revised), "Presentation of financial statements". The revised standard separates owner and non-owner changes in equity. It requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). The Group has elected to present two statements. This Interim Financial Information has been prepared under the revised disclosure requirements.

HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker who makes strategic decisions. This has not resulted in an increase in the number of reportable segments presented.

The Group has not early adopted the following revised standards and interpretations that have been issued but are not yet effective for the period.

		Effective for accounting periods beginning on or after
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 39 (Amendment)	Financial instruments: recognition and measurement on eligible hedged items	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC) – Int 18	Transfers of assets from customers	1 July 2009

The HKICPA has made amendments to HKFRS in May 2009 in response to the annual improvements project.

		Effective for accounting periods beginning on or after
HKFRS 2 (Amendment)	Share-based payments	1 July 2009
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operations	1 January 2010
HKFRS 8 (Amendment)	Operating segments	1 January 2010
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2010
HKAS 7 (Amendment)	Statement of cash flows	1 January 2010
HKAS 17 (Amendment)	Leases	1 January 2010
HKAS 36 (Amendment)	Impairment of assets	1 January 2010
HKAS 38 (Amendment)	Intangible assets	1 July 2009
HKAS 39 (Amendment)	Financial instruments: recognition and measurement	1 January 2010
HK(IFRIC) – Int 9 (Amendment)	Reassessment of embedded derivatives	1 July 2009
HK(IFRIC) – Int 16 (Amendment)	Hedges of a net investment in a foreign operation	1 July 2009

The Group is in the process of making assessment of the impact of these revised standards 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 Interim Financial Information

For the six months ended 30 June 2009

4. REVENUE AND SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segment and to assess its performance.

In prior years' segment information reported externally and to the Group's management for the purposes of resources allocation and assessment of performance was the same and analysed on the basis of the Group's operating divisions (i.e. property development, property investment and management, hospitality investment and management, garment manufacturing and trading, branded products distribution and investing activities). As a result, following the adoption of HKFRS 8, the identification of the Group's reportable segments has not changed.

For the six months ended 30 June 2009	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	5.4	135.5	43.5	122.5	101.2	8.9	-	417.0
Inter-segment sales	-	8.2	-	-	-	-	(8.2)	-
Reportable segment revenue	5.4	143.7	43.5	122.5	101.2	8.9	(8.2)	417.0
Results								
Segment results before change in fair value of investment properties	(8.2)	73.2	33.1	(22.5)	(4.4)	6.1	-	77.3
Change in fair value of investment properties	-	(7.8)	(1.1)	0.9	-	-	-	(8.0)
Reportable segment results	(8.2)	65.4	32.0	(21.6)	(4.4)	6.1	-	69.3
Fair value gain on derivative financial instruments								48.7
Unallocated corporate expenses								(40.8)
Profit from operations								77.2
Finance income								15.2
Finance costs								(41.9)
Share of results of associates	0.4	-	(1.5)	-	-	(4.1)	-	(5.2)
Profit before taxation								45.3
Taxation								(16.4)
Profit for the period								28.9
Other items								
Depreciation and amortisation	1.4	3.1	0.1	1.8	2.9	1.1	-	10.4
Write back of trade receivables	(9.8)	-	-	-	-	-	-	(9.8)
Provision for impairment of loan to an associate	-	-	-	-	-	1.6	-	1.6

Notes to the Interim Financial Information

For the six months ended 30 June 2009

4. REVENUE AND SEGMENT INFORMATION (Continued)

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)	-
Reportable segment revenue	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	70.7	34.1	(40.7)	(0.2)	35.8	-	167.0
Change in fair value of investment properties	-	233.9	125.0	-	-	-	-	358.9
Reportable segment results	67.3	304.6	159.1	(40.7)	(0.2)	35.8	-	525.9
Fair value gain on derivative financial instruments								12.5
Unallocated corporate expenses								(42.2)
Profit from operations								496.2
Finance income								18.0
Finance costs								(34.2)
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
Provision for trade receivables	-	-	-	1.3	-	-	-	1.3
Provision for impairment losses in respect of available-for-sale financial assets	-	-	-	-	-	0.1	-	0.1

Notes to the Interim Financial Information

For the six months ended 30 June 2009

4. REVENUE AND SEGMENT INFORMATION (Continued)

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	
	2009 HK\$'M	2008 HK\$'M
Hong Kong	181.0	261.5
North America	81.4	181.0
United Kingdom	96.0	151.7
Other areas	58.6	155.7
	417.0	749.9

5. PROFIT FROM OPERATIONS

	Six months ended 30 June	
	2009 HK\$'M	2008 HK\$'M
Profit from operations has been arrived at after charging/(crediting):		
Amortised income from held-to-maturity investments	(3.0)	–
Amortisation of trademark	0.1	0.1
Depreciation and amortisation of leasehold land and land use rights and other properties, plant and equipment	10.3	12.4
Gain on disposal of a subsidiary	–	(6.6)
Gain on disposal of available-for-sale financial assets	–	(2.8)
Loss on disposal of financial assets through profit or loss	–	0.7
Net fair value gain on derivative financial instruments	(48.7)	(12.5)
Net fair value loss on financial assets through profit or loss	–	0.7
Provision for impairment losses in respect of available-for-sale financial assets	–	0.1
Share-based compensation expense	2.4	2.0

Notes to the Interim Financial Information

For the six months ended 30 June 2009

6. TAXATION

Hong Kong profits tax has been calculated at 16.5% (2008: 16.5%) of the estimated assessable profits 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 condensed consolidated income statement represents:

	Six months ended 30 June	
	2009 HK\$'M	2008 HK\$'M
Current taxation		
– Hong Kong profits tax	9.2	18.4
– Over-provision in prior years	(0.3)	(0.1)
– Taxation in other jurisdictions	(0.1)	1.0
	8.8	19.3
Deferred taxation		
– Origination and reversal of temporary differences	7.6	84.5
– Effect of tax rates change	–	(60.8)
	7.6	23.7
	16.4	43.0

7. DIVIDENDS

During the six months ended 30 June 2009, a final dividend of HK1.5 cents per share totaling HK\$14.8 million in respect of the year ended 31 December 2008 (2007 final dividend: HK6.5 cents per share) was approved at the Company's annual general meeting held on 3 June 2009 and paid to the shareholders during the period.

At the Board meeting held on 4 September 2009, the Directors declared the payment of an interim dividend of HK1.5 cents per share totaling HK\$14.8 million in respect of the year ending 31 December 2009 (2008 interim dividend: HK3.5 cents per share).

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	
	2009 HK\$'M	2008 HK\$'M
Profit attributable to equity holders of the Company for the purpose of calculating basic and diluted earnings per share	7.0	328.7
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	989,012,455	987,611,667
Effect of dilutive potential shares issuable under the Company's share option and share incentive schemes	3,072,005	3,081,976
Weighted average number of shares for the purpose of calculating diluted earnings per share	992,084,460	990,693,643

Notes to the Interim Financial Information

For the six months ended 30 June 2009

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 2009	41.8	10,098.1	–	181.5
Exchange adjustments	–	0.4	–	7.6
Loss arising from change in fair value	–	(8.0)	–	–
Additions	–	6.0	–	40.2
Disposals	–	–	–	(0.2)
Depreciation and amortisation	(0.3)	–	–	(10.0)
Closing net book value at 30 June 2009	41.5	10,096.5	–	219.1
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 jointly controlled entities	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

The Group's investment properties are stated at revalued amounts based on professional valuations at 30 June 2009 on an open market value basis.

10. PROPERTIES FOR SALE

	30 June 2009 HK\$'M	31 December 2008 HK\$'M
Properties under development held for sale	3,204.9	3,067.7
Completed properties	44.5	48.2
	3,249.4	3,115.9

Notes to the Interim Financial Information

For the six months ended 30 June 2009

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	30 June 2009 HK\$'M	31 December 2008 HK\$'M
Trade receivables	146.8	233.7
Less: provision for impairment	(23.1)	(36.2)
Trade receivables (net of provision)	123.7	197.5
Other receivables, deposits and prepayments	127.9	238.0
	251.6	435.5

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

	30 June 2009 HK\$'M	31 December 2008 HK\$'M
Not yet due	9.4	80.3
1 – 30 days	55.0	49.7
31 – 90 days	20.4	58.3
Over 90 days	38.9	9.2
	123.7	197.5

12. TRADE AND OTHER PAYABLES AND ACCRUALS

	30 June 2009 HK\$'M	31 December 2008 HK\$'M
Trade payables	96.4	106.1
Other payables and accruals	596.3	635.5
	692.7	741.6

Notes to the Interim Financial Information

For the six months ended 30 June 2009

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 2009 HK\$'M	31 December 2008 HK\$'M
0 – 30 days	73.6	92.2
31 – 90 days	13.2	10.8
Over 90 days	9.6	3.1
	96.4	106.1

13. BANK LOANS

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

	30 June 2009 HK\$'M	31 December 2008 HK\$'M
Within one year	651.9	489.0
Between one to two years	1,417.6	868.0
Between three to five years	3,026.4	3,391.4
After five years	121.7	173.5
	5,217.6	4,921.9
Less: Amounts due within one year shown under current liabilities	(651.9)	(489.0)
Amounts due after one year	4,565.7	4,432.9

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

	30 June 2009 HK\$'M	31 December 2008 HK\$'M
Investment properties	9,994.3	10,005.3
Freehold properties	52.6	47.1
Leasehold land and land use rights	38.1	38.3
Leasehold buildings	80.4	81.7
Available-for-sale financial assets	108.9	89.8
Properties for sale	3,078.0	2,943.1
Bank deposits	80.8	80.2
	13,433.1	13,285.5

Notes to the Interim Financial Information

For the six months ended 30 June 2009

14. OTHER LONG-TERM LOANS

The loans are from minority shareholders of certain subsidiaries. All the loans are interest free, unsecured and expected not to be repaid within one year. The loans are therefore shown in the condensed consolidated balance sheet as non-current liabilities.

15. SHARE CAPITAL

	Number of shares	Amount HK\$'M
Ordinary shares of HK\$0.50 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 30 June 2009	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2008	987,496,918	493.7
Issue of incentive shares	1,483,500	0.8
At 31 December 2008	988,980,418	494.5
Issue of incentive shares	459,500	0.2
At 30 June 2009	989,439,918	494.7

16. COMMITMENTS

	30 June 2009 HK\$'M	31 December 2008 HK\$'M
Expenditure in respect of properties under development held for investment purpose		
– contracted but not provided for	139.4	–
Expenditure in respect of properties under development held for sale		
– contracted but not provided for	321.9	445.6
– authorised but not contracted for	10.5	10.8
Expenditure in respect of acquisition of other properties, plant and equipment		
– contracted but not provided for	1.2	0.9
– authorised but not contracted for	0.1	0.1
Expenditure in respect of investment in an associate		
– contracted but not provided for	396.1	396.1
	869.2	853.5

Notes to the Interim Financial Information

For the six months ended 30 June 2009

17. CONTINGENT LIABILITIES

	30 June 2009 HK\$'M	31 December 2008 HK\$'M
Guarantees given to banks in respect of credit facilities extended to an associate	418.9	418.7
Other guarantees given to banks	8.9	1.9
	427.8	420.6

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

	Six months ended 30 June	
	2009 HK\$'M	2008 HK\$'M
Key management compensation		
Salaries and other benefits	8.6	8.6
Retirement benefits costs	0.4	0.4
	9.0	9.0
Interest income from associates	5.0	5.1
Project management fee income from associates	1.3	4.4
Project management fee income from a substantial shareholder of the Company	2.0	–
Property rental income from a substantial shareholder of the Company	1.4	0.5
Property rental income from associates	1.0	0.9

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 HK1.5 cents per share for the year ending 31 December 2009 (2008: HK3.5 cents). The interim dividend will be distributed on or around 13 October 2009 to the shareholders whose names appear on the register of members of the Company at the close of business on 28 September 2009.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the first half of 2009, the Group reported consolidated profit attributable to equity holders of the Company of HK\$7.0 million, compared with HK\$328.7 million in 2008. The decrease in profit was mainly due to a lack of fair value gain from the Group's investment properties and lower property sales recognised during the period. Revenue for the Group was HK\$417.0 million in the first half of 2009, compared with HK\$749.9 million in 2008.

Property

The Group's property division, which includes property development, property investment and management, and hospitality investment and management, recorded segment profit of HK\$89.2 million in the first half of 2009, compared with HK\$531.0 million in the first half of 2008.

Property Development

Our residential development, Forfar, at 2 Forfar Road in Kowloon Tong, obtained pre-sale approval in June 2009. The development was launched for pre-sale in late June and approximately 60% of the units have been sold to-date, a testimony to its superior quality and design.

Foundation works for the Seymour Road project in Mid-Levels are progressing according to the development's master program. Superstructure works are expected to commence in the first half of 2010. This project, which the Group has a 30% interest, is expected to be completed in 2011.

The construction of the Tai Po Town Lot Nos 186, 187 and 188 is progressing according to plan where foundation works are nearing completion and superstructure works are expected to commence in the second half of 2009. These projects are expected to be completed between 2011 to 2012. The Group has a 15% interest in each of the three sites.

The Group's interest in the luxurious residential development in Singapore, Belle Vue Residences, is held through its subsidiary, Winsor Properties Holdings Limited ("Winsor Properties"). The project has a total saleable area of about 433,000 square feet, and approximately 56% of the units have been sold to-date since its pre-sale launch. The development is scheduled for completion in the first half of 2010. Winsor Properties has a 30% interest in this project.

For the Shenyang joint venture residential development, the design for the initial phases of two sites has been completed and construction work is under planning.

Management Discussion and Analysis

Property Investment and Management

The Group's interest in the commercial, industrial and retail properties in Hong Kong is mainly held through Winsor Properties. As at 30 June 2009, the Group's portfolio of investment properties had an aggregate site area of about 3.5 million square feet, of which 1.4 million square feet are Grade A office building and retail spaces, with total fair market valuation of HK\$8,704.7 million.

Landmark East, a premium twin-tower office development, was completed and launched into the market in the last quarter of 2008. Given the abundant supply of office space in Kowloon East and the uncertain operating environment, the rental and vacancy uptake are slower than the Group's expectation. W Square in Wan Chai was over 95% leased.

As at 30 June 2009, the Group's portfolio of industrial properties had an aggregate fair market valuation of HK\$2,305.7 million. Average occupancy of these industrial properties decreased by a few percentage points during the period under review but remained at a satisfactory level of about 90%.

Hospitality Investment and Management

During the period, the global recession and H1N1 flu virus have adversely affected the hospitality industry in Asia where Lanson Place operates. However, Lanson Place Central Park in Beijing, which has been achieving good occupancy levels since its formal opening in September 2008, continued to perform well during the period.

In January 2009, the Group entered into a 10-year management contract for a serviced residence in Pudong, Shanghai, which is scheduled to open by the end of 2009. Including this contract, Lanson Place has a total of eight management contracts in Hong Kong, China and South East Asia.

Apparel

The Group's apparel operation, which comprises garment manufacturing and trading, and branded products distribution, generated aggregate revenue of HK\$223.7 million in the first half of 2009, compared with HK\$442.6 million in 2008. Segment loss for the period narrowed to HK\$26.0 million from HK\$40.9 million in 2008, due mainly to seasonality in the sweater business.

All loss-making manufacturing and trading business units were closed and sold in 2008. In the first half of 2009, the apparel operation was faced with a severe slowdown in the retail industry globally, especially in the United States and the United Kingdom.

Investing Activities

The Group's investing activities reported segment profit of HK\$6.1 million in the first half of 2009, compared with HK\$35.8 million in 2008. The drop in segment profit was due to lower dividend income from the Group's investments held through Winsor Properties.

Management Discussion and Analysis

FINANCIAL REVIEW

Liquidity and Financial Resources

The Group's net assets totaled HK\$8,699.9 million as at 30 June 2009 (31 December 2008: HK\$8,680.2 million). The increase was mainly resulted from the profit for the period of HK\$28.9 million and the distribution of the 2008 final dividend of HK\$14.8 million in the first half of 2009.

As at 30 June 2009, the Group's net borrowings (total bank borrowings and other long-term loans less bank balances and cash) was HK\$4,698.4 million (31 December 2008: HK\$4,468.6 million), representing 54.0% of the Group's net assets (31 December 2008: 51.5%). The increase in net borrowings and gearing ratio was mainly due to increase in construction loans on property development projects in the first half of 2009. Interest for the Group's bank borrowings was mainly on a floating rate basis. Around 87.4% of the Group's bank borrowings was repayable in periods beyond one year. The Group had unutilised general banking facilities in excess of HK\$885.4 million as at 30 June 2009 (31 December 2008: HK\$982.3 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 2009, the Group's contingent liabilities were guarantees given to banks of HK\$427.8 million (31 December 2008: HK\$420.6 million).

Pledge of Assets

At 30 June 2009, the Group's advances to associates/jointly controlled entities of HK\$1,468.7 million (31 December 2008: HK\$1,158.6 million) were subordinated to the loan facilities of associates/jointly controlled entities. The Group's advances to the associates/jointly controlled entities include amounts of HK\$1,468.7 million (31 December 2008: HK\$1,158.6 million) which are assigned, and the shares in these associates/jointly controlled entities beneficially owned by the Group are pledged to the financial institutions.

At 30 June 2009, certain of the Group's investment properties, freehold properties, leasehold land and land use rights, leasehold buildings, available-for-sale financial assets, properties for sale and bank deposits with carrying values of HK\$9,994.3 million, HK\$52.6 million, HK\$38.1 million, HK\$80.4 million, HK\$108.9 million, HK\$3,078.0 million and HK\$80.8 million respectively were pledged to secure credit facilities for the Group.

Management Discussion and Analysis

PROSPECTS

For the second half of 2009, we expect there to be gradual improvement in our operating environment on the back of a stabilising global economy.

Given the short supply of new residential properties in Hong Kong, we believe there will continue to be market opportunities for us to launch our residential projects successfully. The Group sold 60% of the units in Forfar project in its initial launch in late June. Revenue from these sales and any further pre-sales will be recognised once the occupation permit is obtained which is expected to be before the end of 2009.

The operating results for Landmark East are likely to continue to improve with ongoing leasing uptake. We are confident that Landmark East will be able to attract more tenants with its premium quality office spaces. Already we are seeing increasing decentralisation of offices from the traditional commercial districts to Kowloon East.

Lanson Place is expected to continue to perform well in the second half of 2009. Our serviced apartment operation has a sound business platform and an experienced management team with proven track record. With the global economy showing signs of stabilising, Lanson Place is well positioned to capture the next phase of growth.

Over the past three years, we have established a stronger and broader business platform that helps ensure a more stable recurring income for the Group. On the strength of this foundation, we are confident that the Group is well positioned to seize opportunities that lie ahead and improve its business performance when the market recovers.

EMPLOYEES

As at 30 June 2009, the Group had about 1,800 staff and workers for its operations in Hong Kong, China and the United Kingdom. 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 retirement benefit scheme for its employees in China and 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 in stages 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 2009, 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	Approx. percentage of the issued share capital (Note a)
	Personal interests	Family interests	Corporate interests	Other interests			
Cheng Wai Chee, Christopher	3,030,749	-	148,439,086 (Note b)	346,866,024 (Note c)	2,452,250	500,788,109	50.61%
Cheng Wai Sun, Edward	2,954,750	-	-	346,866,024 (Note c)	2,452,250	352,273,024	35.60%
Cheng Man Piu, Francis	-	-	-	346,866,024 (Note c)	-	346,866,024	35.06%
Ng Tak Wai, Frederick	235,250	762,000	-	-	101,750	1,099,000	0.11%
Au Hing Lun, Dennis	754,750	-	-	-	933,250	1,688,000	0.17%
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 "Shares") as at 30 June 2009 was 989,439,918.

General Information

- (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 included indirect interests in 346,866,024 Shares comprising 106,345,862, 37,712,000 and 202,808,162 Shares beneficially owned by Brave Dragon Limited, Wing Tai Retail Pte. Ltd. and Crossbrook Group Limited respectively. Please refer to the section below headed "Substantial Shareholders' Interests" for further details.
- (d) Mr. Kwok Ping Luen, Raymond was a beneficiary of a trust the assets of which included interests in 6,918,425 Shares.
- (e) These interests represented the interests in underlying shares in respect of the share options or 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".

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

Director	Number of ordinary shares held				Aggregate interests	Approx. 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 2009 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 included 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 Textiles International Limited (90,500 Winsor Shares) and the Company (162,844,458 Winsor Shares).

General Information

Save as disclosed herein, as at 30 June 2009, 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.

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 for the period ended 30 June 2009 under the Share Option Scheme were as follows:

Director	Date of grant	Exercise price per ordinary share	Number of share options				As at 30.6.2009	Exercisable period	Fair value of share option amortised (HK\$)
			As at 1.1.2009	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	19,000

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.

General Information

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 to subscribe in cash at par value for shares of the Company.

Details of the incentive shares granted and summary of the movements of the outstanding incentive shares for the period ended 30 June 2009 under the Share Incentive Scheme were as follows:

Director	Date of award	Number of incentive shares				As at 30.6.2009	Vesting date/period of the outstanding awards	Exercisable period	Fair value of incentive shares amortised (HK\$)
		As at 1.1.2009	Awards made during the period	Vested and exercised during the period	Cancelled/lapsed during the period				
Cheng Wai Chee, Christopher	25.4.2006	273,000	-	-	-	273,000	12.1.2009	12.1.2009 to 11.1.2016	4,000
	26.7.2007	245,250	-	-	-	245,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017	180,000
	8.7.2008	94,250	-	-	-	94,250	30.1.2009	30.1.2009 to 8.7.2018	22,000
	8.7.2008	94,250	-	-	-	94,250	30.1.2010	30.1.2010 to 8.7.2018	98,000
	8.7.2008	188,500	-	-	-	188,500	30.1.2011	30.1.2011 to 8.7.2018	119,000
	15.6.2009	-	389,250	-	-	389,250	20.1.2010	20.1.2010 to 15.6.2019	92,000
	15.6.2009	-	389,250	-	-	389,250	20.1.2011	20.1.2011 to 15.6.2019	35,000
	15.6.2009	-	778,500	-	-	778,500	20.1.2012	20.1.2012 to 15.6.2019	42,000

General Information

Director	Date of award	Number of incentive shares				As at 30.6.2009	Vesting date/period of the outstanding awards	Exercisable period	Fair value of incentive shares amortised (HK\$)
		As at 1.1.2009	Awards made during the period	Vested and exercised during the period	Cancelled/lapsed during the period				
Cheng Wai Sun, Edward	25.4.2006	273,000	-	-	-	273,000	12.1.2009	12.1.2009 to 11.1.2016	4,000
	26.7.2007	245,250	-	-	-	245,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017	180,000
	8.7.2008	94,250	-	-	-	94,250	30.1.2009	30.1.2009 to 8.7.2018	22,000
	8.7.2008	94,250	-	-	-	94,250	30.1.2010	30.1.2010 to 8.7.2018	98,000
	8.7.2008	188,500	-	-	-	188,500	30.1.2011	30.1.2011 to 8.7.2018	119,000
	15.6.2009	-	389,250	-	-	389,250	20.1.2010	20.1.2010 to 15.6.2019	92,000
	15.6.2009	-	389,250	-	-	389,250	20.1.2011	20.1.2011 to 15.6.2019	35,000
	15.6.2009	-	778,500	-	-	778,500	20.1.2012	20.1.2012 to 15.6.2019	42,000

General Information

Director	Date of award	Number of incentive shares					As at 30.6.2009	Vesting date/period of the outstanding awards	Exercisable period	Fair value of incentive shares amortised (HK\$)
		As at 1.1.2009	Awards made during the period	Vested and exercised during the period	Cancelled/ lapsed during the period					
Ng Tak Wai, Frederick	25.4.2006	29,500	–	29,500	–	–	N/A	N/A	1,000	
	8.7.2008	10,250	–	10,250	–	–	N/A	N/A	2,000	
	8.7.2008	10,250	–	–	–	10,250	30.1.2010	30.1.2010 to 8.7.2018	11,000	
	8.7.2008	20,500	–	–	–	20,500	30.1.2011	30.1.2011 to 8.7.2018	13,000	
	15.6.2009	–	17,750	–	–	17,750	20.1.2010	20.1.2010 to 15.6.2019	4,000	
	15.6.2009	–	17,750	–	–	17,750	20.1.2011	20.1.2011 to 15.6.2019	1,000	
	15.6.2009	–	35,500	–	–	35,500	20.1.2012	20.1.2012 to 15.6.2019	2,000	
Au Hing Lun, Dennis	25.4.2006	55,000	–	55,000	–	–	N/A	N/A	1,000	
	26.7.2007	98,250	–	32,750	–	65,500	8.2.2010	8.2.2010 to 26.7.2017	72,000	
	8.7.2008	45,250	–	45,250	–	–	N/A	N/A	10,000	
	8.7.2008	45,250	–	–	–	45,250	30.1.2010	30.1.2010 to 8.7.2018	47,000	
	8.7.2008	90,500	–	–	–	90,500	30.1.2011	30.1.2011 to 8.7.2018	57,000	
	15.6.2009	–	183,000	–	–	183,000	20.1.2010	20.1.2010 to 15.6.2019	43,000	
	15.6.2009	–	183,000	–	–	183,000	20.1.2011	20.1.2011 to 15.6.2019	16,000	
15.6.2009	–	366,000	–	–	366,000	20.1.2012	20.1.2012 to 15.6.2019	20,000		

General Information

Employees	Date of award	Number of incentive shares				As at 30.6.2009	Vesting date/period of the outstanding awards	Exercisable period	Fair value of incentive shares amortised (HK\$)
		As at 1.1.2009	Awards made during the period	Vested and exercised during the period	Cancelled/lapsed during the period				
	25.4.2006	106,500	-	106,500	-	-	N/A	N/A	2,000
	29.6.2006	10,000	-	-	-	10,000	29.6.2009	29.6.2009 to 28.6.2016	2,000
	26.7.2007	216,000	-	65,750	-	150,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017	152,000
	26.7.2007	27,750	-	-	-	27,750	17.7.2009 to 17.7.2010	17.7.2009 to 26.7.2017	21,000
	8.7.2008	127,250	-	114,500	-	12,750	30.1.2009	30.1.2009 to 8.7.2018	28,000
	8.7.2008	127,250	-	-	-	127,250	30.1.2010	30.1.2010 to 8.7.2018	127,000
	8.7.2008	254,500	-	-	-	254,500	30.1.2011	30.1.2011 to 8.7.2018	154,000
	15.6.2009	-	522,750	-	-	522,750	20.1.2010	20.1.2010 to 15.6.2019	121,000
	15.6.2009	-	522,750	-	-	522,750	20.1.2011	20.1.2011 to 15.6.2019	46,000
	15.6.2009	-	1,045,500	-	-	1,045,500	20.1.2012	20.1.2012 to 15.6.2019	56,000
		3,064,500	6,008,000	459,500	-	8,613,000			2,193,000

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.

Save as disclosed above, at no time during the period was the Company or any of its subsidiaries, holding companies or fellow subsidiaries a party to any arrangement that may enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

General Information

Fair Values of Incentive Shares Awarded

The fair values of incentive shares awarded during the period ended 30 June 2009 are determined by using the Binominal Option Pricing Model (the "Model"). Key assumptions of the Model are as follows:

Risk-free rate	3.0%
Expected dividend yield	1.6%
Expected volatility of the market price of the Company's shares	47.3%
Expected life	10 years from the date of award

The Model requires the input of subjective assumptions, including the volatility of share price. Because changes in subjective assumptions can materially affect the fair value estimate, in the directors' opinion, the existing model does not necessarily provide a reliable single measure of the fair value of incentive shares.

Substantial Shareholders' Interests

As at 30 June 2009, the following persons (other than the Directors and the Chief Executive of the Company) had interests in the shares or underlying shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name of Shareholder	Number of Shares interested	Approx. percentage of the issued shares capital
Brave Dragon Limited	106,345,862	10.75%
Crossbrook Group Limited	202,808,162	20.50%
Wing Tai Holdings Limited	346,466,024	35.02% (Note 2)
Deutsche Bank International Trust Co. (Jersey) Limited	346,466,024	35.02% (Note 3)
Deutsche Bank International Trust Co. (Cayman) Limited	346,466,024	35.02% (Note 3)
Wing Tai Corporation Limited	135,446,118	13.69% (Note 4)
Renowned Development Limited	135,446,118	13.69% (Note 4)
Wing Tai (Cheng) Holdings Limited	148,439,086	15.00% (Note 5)

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Name of Shareholder	Number of Shares interested	Approx. percentage of the issued shares capital
Sun Hung Kai Properties Limited	136,956,400	13.84% (Note 6)
HSBC Trustee (C.I.) Limited	136,956,400	13.84% (Note 7)
Gala Land Investment Co Ltd	76,184,600	7.70%
Franham Group Ltd	76,184,600	7.70% (Note 8)
Chou Wen Hsien	112,824,744	11.40% (Note 9)
Chou Yim Wan Chun, Ina	112,824,744	11.40% (Note 9)
Chow Chung Kai	112,609,202	11.38% (Note 10)
Chow Yu Yue Chen	112,609,202	11.38% (Note 10)

Notes:

- (1) The total number of issued Shares as at 30 June 2009 was 989,439,918.
- (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. Wing Tai Retail Pte. Ltd. owned 37,312,000 Shares. All figures were stipulated in the submitted form as such.
- (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.

General Information

- (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) Soundworld Limited, Units Key Limited and Triple Surge Limited held 15,651,992, 3,502,000 and 28,260,000 Shares respectively. As Fourseas Investments Limited ("Fourseas") owned the entire issued share capital of each of such companies, Fourseas was deemed to be interested in a total of 47,413,992 Shares by virtue of the SFO.

In addition, Charmview International Limited ("Charmview"), Techglory Ltd. ("Techglory") and Erax Strong Development Ltd. ("Erax Strong") held 5,356,200, 144,000 and 96,050 Shares respectively. As Sunrise Holdings Inc. ("Sunrise"), Junwall Holdings Ltd. ("Junwall") and Country World Limited ("Country World") owned the entire issued share capital of Charmview, Techglory and Erax Strong respectively, Sunrise, Junwall and Country World were deemed to be interested in 5,356,200, 144,000 and 96,050 Shares respectively by virtue of the SFO.

As Sun Hung Kai Properties Limited ("SHKP") owned the entire issued share capital of Fourseas, Sunrise, Junwall, Country World and Wesmore Limited, which held 83,946,158 Shares, SHKP was therefore deemed to be interested in 136,956,400 Shares by virtue of the SFO.

- (7) HSBC Trustee (C.I.) Limited was the trustee of certain discretionary trusts which beneficially owned 42.01% of the issued share capital of SHKP. By virtue of its trustee interest in SHKP, it was deemed to be interested in 136,956,400 Shares.
- (8) 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.
- (9) 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.

- (10) 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.

General Information

Save as disclosed above, as at 30 June 2009, 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 2009, 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.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

At 30 June 2009, the aggregate amount of financial assistance to and guarantees given for facilities granted to affiliated companies by the Group amounted to HK\$4,117.7 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 2009 are presented below:

	Pro-forma combined balance sheet (HK\$'M)	Group's attributable interest (HK\$'M)
Non-current assets	4,804.5	1,347.2
Current assets	14,419.4	2,673.3
Current liabilities	(1,354.3)	(374.0)
Non-current liabilities	(7,906.3)	(1,446.8)
Amounts and loans due from shareholders	2,922.9	1,266.3
Amounts and loans due to shareholders	(8,962.0)	(1,897.9)
Net assets	3,924.2	1,568.1

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 2009 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.

General Information

Model Code for Securities Transactions by Directors

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 2009 to 30 June 2009.

Update on Directors' Biographical Information

1. Mr. Cheng Man Piu, Francis, an executive director of the Company, ceased to be a member of the Textiles Advisory Board of the Trade and Industry Department and was appointed as a member of the Assessment Panel for the DesignSmart Initiative.
2. Mr. Wong Yick Kam, Michael, a non-executive director of the Company, will relinquish the position of executive director of Sun Hung Kai Properties Limited ("SHKPL") (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance) and will then become a non-executive director of SHKPL with effect from 1 January 2010.

He was appointed as a member of the Hong Kong SAR Government's Steering Committee on Promotion of Electric Vehicles and is Treasurer of the Council of The Open University of Hong Kong.

Record Date for Interim Dividend

The interim dividend will be distributed on or around 13 October 2009 to the shareholders whose names appear on the register of members of the Company at the close of business on 28 September 2009 (the Record Date). 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 Registrar, 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 28 September 2009.

Purchase, Sale or Redemption of the Company's Listed Shares

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares.