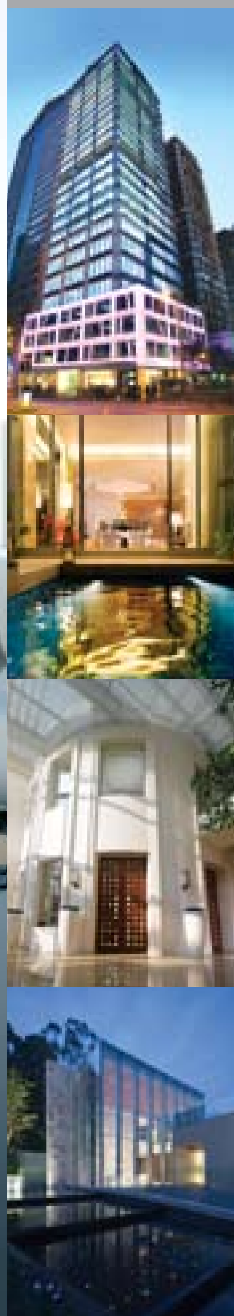
USI HOLDINGS LIMITED

富 聯 國 際 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)
(Stock Code : 369)



Annual Report 2007

** For identification purpose only*

Corporate Information

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

369

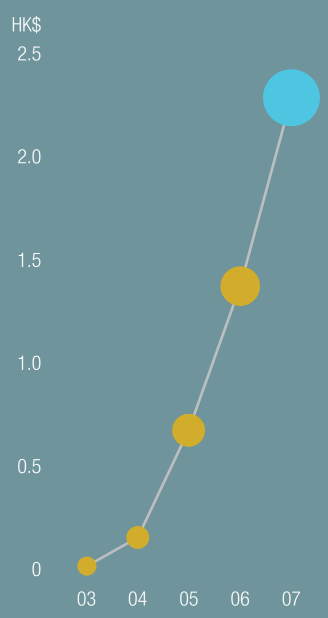
Image on the cover: (Centre) Landmark East
(Right, from top) W Square, The Giverny, The Grandville and The Giverny

Contents

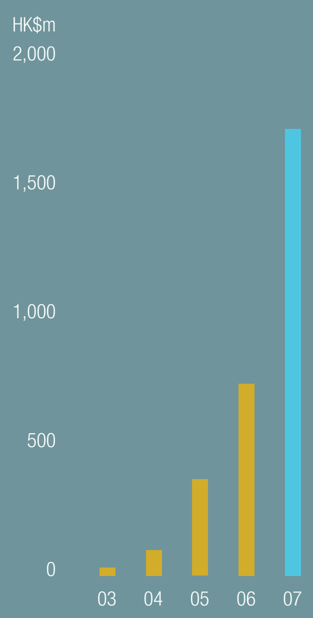
Financial Highlights

	The Group	
For the year ended 31 December	**2007 HK$'M**	2006 HK$'M
Revenue/turnover	**2,209.7**	2,699.4
Profit from operations	**2,042.0**	1,016.0
Profit attributable to equity holders of the Company	**1,735.9**	738.3
Earnings per share for profit attributable to equity holders of the Company		
Basic	**$2.32**	HK$1.40
Diluted	**$2.31**	HK$1.40
At 31 December		
Total assets	**14,835.7**	4,783.6
Total equity	**8,493.0**	2,928.0

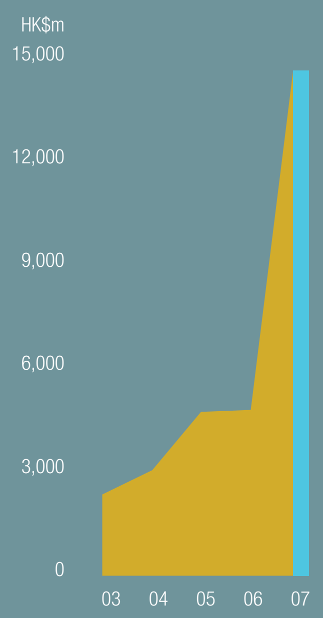
Earnings per share



Profit attributable to equity holders of the company



Total assets



Group's Major Investments

Property

Assets	Group's Effective Interest
Landmark East	79.3%
W Square	79.3%
Unimix Industrial Centre	79.3%
Shui Hing Centre	79.3%
Regent Centre	75.5%
Winner Godown Building	79.3%
Lucky Industrial Building	79.3%
Lanson Place Hotel, Causeway Bay	60%
Lanson Place Jin Lin Tian Di, Shanghai	23.4%
Shanghai Square, Shanghai	8%
The Waterfront – Airport Railway Kowloon Station Package 1 at Tsim Sha Tsui	7.5%
The Grandville – Shatin	47.9%
The Giverny – Sai Kung	50%
157 Argyle Street	95.9%
Tai Po Town Lot No. 186, Pak Shek Kok, NT	15%
Tai Po Town Lot No. 187, Pak Shek Kok, NT	15%
Tai Po Town Lot No. 188, Pak Shek Kok, NT	15%
Lancaster Gate, UK	47.5%
Kovan Melody, Singapore	21.5%
Belle Vue, Singapore	23.8%
Management Services	
Lanson Place Hospitality Management	100%
USI Properties	100%

Apparel

Unimix Group	100%
Shui Hing Textiles Group	100%
Impact Textiles International	100%
Gieves & Hawkes	100%

Chairman's Statement

I am pleased to announce that USI Holdings Limited ("USI") has achieved another record year of profitability with net profit of HK$1.7 billion, a 135% increase from 2006. Our net assets have almost tripled from HK$2.9 billion last year to HK$8.5 billion as at 31 December 2007. In 2007, USI has undergone significant transformation through a number of acquisition initiatives and joint ventures in Hong Kong and China. The result is a much bigger business platform which will enable USI to become a fully-fledged integrated property development and investment company with a strong Asian presence and China focus.

Achieved another record year of profitability with net profit of HK$1.7 billion, a 135% increase from 2006.

We have restructured our interests in Winsor Properties Holdings Limited ("Winsor Properties") and become its major shareholder in July 2007 holding 79.26% interests. The restructuring effectively enhanced the Group's property portfolio, creating a strong and growing revenue source from recurrent income of Winsor Properties' investment portfolio and offering higher financial flexibility and capacity. We further rationalised the Group's property holding structure through the injection of three quality investment properties into Winsor

Properties in December 2007. The asset injection forges a more defined role for the two companies, with USI focusing on property development and Winsor Properties on value and yield enhancement of its investment properties.

We will continue to execute our three-pronged growth strategy to excel in property development under the brand Wing Tai Asia and pursue a focused investment business under Winsor Properties; to expand hospitality investment and management under the brand Lanson Place in Asia; and to pursue development projects in China under the joint venture with Hongkong Land Group.

Through a series of joint ventures and alliances last year, USI has successfully secured about half a million square feet of luxurious residential land under its development in Hong Kong, amid fierce competition for desirable residential sites. On the investment front, upon the completion of Landmark East in the third quarter of 2008, Winsor Properties will have 3.5 million square feet of quality investment properties in its portfolio and over one-third of it will be Grade A office and retail space. The trend of leasing offices off the traditional commercial areas as well as continued upward rental reversion is expected to create upside potential for Winsor Properties' recurring income from commercial properties.

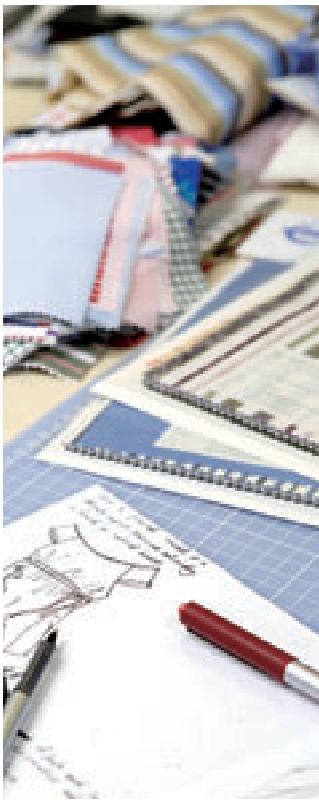
China will also be our other major focus of development in the next few years and we plan to invest up to 30% of our resources and balance sheet in the market for suitable opportunities for comprehensive development as well as hospitality investment. In October 2007, we entered into a joint venture agreement with Hongkong Land Group to capture opportunities in comprehensive development with a strong residential focus in first-tier cities and fast growing second-tier cities in China, particularly those in the Pan Bohai Rim Region, the Yangtze River Delta and South Western China. Within two months of its formation, the joint venture entered into its first development project to develop a mix of high quality and low density residences in Shenyang, the strategic city in Pan Bohai Rim Region.

Our hospitality management and investment arm Lanson Place will continue to strengthen its presence in Asia. With our strong brand recognition, we plan to increase the number of rooms under Lanson Place's management through a number of projects in the pipeline.

Building on our core values, the combined effect of all these initiatives forms a strong platform on which the Group is ready to take off. However, this would not be possible without the support of a strong and effective management team and contribution of all the devoted and enthusiastic talents in the Group. We will continue to build up our senior and middle management and provide ample opportunities for them to grow with the Group. I would also like to take this opportunity to thank our shareholders for their trust and support.

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 15 April 2008



Management Discussion and Analysis

Business Review

For the year ended 31 December 2007, the Group reported a consolidated profit for the year attributable to equity holders of the Company of HK$1,735.9 million, compared with HK$738.3 million reported in 2006. The increase in profit for the year is mainly due to the discount on acquisition arising from the excess of the Group's share of fair value of net assets of Winsor Properties acquired over the cost of acquisition, which amounted to HK$1,168.6 million. Revenue for the Group was HK$2,209.7 million for the year ended 31 December 2007, compared with HK$2,699.4 million for the year ended 31 December 2006.

The Group's net assets has almost tripled from HK$2.9 billion last year to HK$8.5 billion as at 31 December 2007. In 2007, the Group has undergone significant transformation through a number of corporate restructuring, acquisition initiatives and joint ventures in Hong Kong and Mainland China.

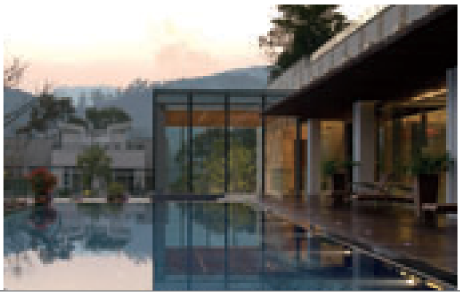
Property

The Group's property division includes property development, property investment and management, and hospitality investment and management, recorded segment profit of HK$1,110.2 million for the year ended 31 December 2007 compared with HK$1,041.9 million in 2006.

Property development

The Group has captured the most favorable time for each property launch and has achieved overwhelming and strong property sales in 2007.

The Giverny, a luxurious villa development in Hebe Haven, Sai Kung, was successfully relaunched in 2007. We have sold 37 villas, generating HK$567.8 million turnover and HK$338.3 million profit attributable to the Group. There are only 6 villas remained unsold.

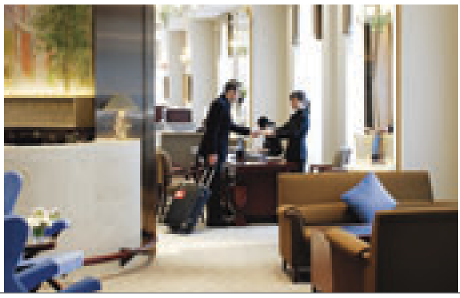


With positive market response received from the launch of Grand 8 on the Park, a luxurious eight-house complex in The Grandville, in early 2007 all the remaining units of the development have been sold, generating a turnover of HK$201.4 million and an attributable profit of HK$87.3 million.

Kovan Melody, a joint venture with Wing Tai Holdings Limited, is a residential development comprising 778 apartment units in Singapore. Following the sale of approximately 77% of units in 2006, all its remaining units were sold in 2007.

Supported by the robust and healthy momentum in residential property market, in particular luxury and high-end developments, and the Group's strong property sales in 2007, the management of USI has continued to actively look for acquisition opportunities. In April 2007, the Group has formed consortia with other developers to co-develop Tai Po Town Lot Nos. 187 and 188 situated at Pak Shek Kok, Tai Po. As a strategic move, the same consortia further won the land auction for Tai Po Town Lot No. 186 in October 2007. The sites will be developed into luxurious low-density residential developments with panoramic seaview. The Group has a 15% interest in each site and the aggregated attributable floor area of the three sites is approximately 300,000 square feet. The project is expected to be completed in 2010.

In November 2007, the Group has formed a joint venture with Wachovia Securities, a leading United States financial services company to redevelop a premier residential site at Seymour Road, Mid Levels. This is the Group's strategic residential development venture with a large international financial institution. The Group has a 30% interest in this 20,000 square feet site which has a developable area of approximately 165,000 square feet. USI Properties Limited, a wholly-owned subsidiary, is appointed as the project manager. The project is expected to be completed in 2011.



The luxurious residential development at 157 Argyle Street will provide approximately 100,000 square feet of floor space upon its scheduled completion in 2009. Foundation works are underway and construction of super-structure is scheduled to commence in the second quarter of 2008.

Property Investment and Management

The Group's interest in the commercial, industrial and retail properties is now held through its subsidiary, Winsor Properties. Following the successful completion of the general offer for Winsor Properties' shares in July 2007, USI injected three quality investment properties (Shui Hing Centre, Unimix Industrial Centre and W Square) into Winsor Properties on 31 December 2007 in order to forge a more strategic alignment of the two listed companies' business focus. The Group will continue to expand its quality asset portfolio and grow its recurrent income and yield through Winsor Properties.

For the year ended 31 December 2007 and before the asset injection into Winsor Properties, USI's industrial buildings, comprising Shui Hing Centre and Unimix Industrial Centre, recorded a fair value gain of HK$142.9 million and achieved average occupancy rates of around 85% throughout the year. In addition to the benefit of upward

rental reversion of both properties, Shui Hing Centre located in Kowloon Bay possesses significant capital appreciation potential as a result of the area's rapid transformation into a business, commercial and entertainment hub in East Kowloon.

In addition, Winsor Properties investment properties including Regent Centre, Lucky Industrial Building and Winner Godown Building, recorded a fair value gain of HK$175.5 million and achieved an average occupancy rates of more than 97% throughout the year.

At 31 December 2007, the Group's portfolio of industrial buildings amounted to 2.1 million square feet with fair market valuation of HK$2,487.0 million. As at 31 December 2007, the overall occupancy rate of the Group's industrial properties was approximately 95%. These buildings are expected to benefit from the continued upward rental reversion experienced in 2007.

Renovation of W Square, situated in a busy section of the revitalized Wanchai district, has been substantially completed at the end of 2007. The renovated building will provide upscale retail and Grade A office space and create a new landmark in the area. The property is expected to benefit from the overflow of demand for quality office space as a result of soaring rentals in Central and Admiralty. The rollout of our marketing and leasing program has received positive responses.

Landmark East, the twin-tower Grade A office development in Kwun Tong, has topped-out in March 2008 and the occupation permit is expected to be obtained in the third quarter of 2008. According to the Group's accounting policy, the property is recorded at cost and classified as a "Property Under Development" as at 31 December 2007. As it is the Group's intention to hold the developed property for rental income and it will be reclassified as "Investment Property" upon completion of the development. Marketing campaign and pre-leasing are in progress. With the rapid transformation in the Kwun Tong area and a

growing critical mass of Grade A office tenants, the property is expected to benefit from the decentralisation demands.

Hospitality Investment and Management

We continued to reinforce our 'Lanson Place' brand in gateway cities in Asia and optimize our operations with an encouraging return during the year.

Lanson Place Hong Kong has sustained its position as one of the leading boutique hotel in Hong Kong with an average occupancy rate of 90%, and recently topped the list of the Most Popular City Centre Hotel by Small Luxury Hotels of the World. For the year ended 31 December 2007, Lanson Place Hong Kong recorded a fair value gain of HK$139.0 million.

In the China market, Jin Lin Tian Di Residences, our establishment in Shanghai, continued to reinforce its position as one of the leading serviced residences in the city, by providing excellent guest services to expatriates and their family. We have achieved an average occupancy rate of 96%. Lanson Place Central Park Residences, our serviced residences in Beijing is scheduled to open before the Beijing Olympic Games.

Our serviced residences in South East Asia, one in Singapore and two in Malaysia, delivered stable business performance in these two markets. The Group continues to look for expansion opportunities in key strategic cities in China and South East Asia.

Apparel

The Group's apparel operation, comprised of garment manufacturing and trading, and branded products distribution, generated an aggregate turnover of HK$1,189.6 million in 2007 compared to HK$1,202.1 million in 2006. The 2007 segment results is a loss of HK$151.1 million compared to a loss of HK$30.1 million in 2006.

During the year, the Group performed a thorough review of each business units and decided to restructure the entire operation by closing down certain non-profitable business units by phases. The restructuring is scheduled to complete by third quarter of 2008. As a result, total provision of HK$88.4 million for assets impairment, staff long services pay and redundancy and other closing costs was made at 31 December 2007.

Investing activities

On 11 April 2007, the Group announced that it would make a voluntary conditional securities exchange offer (the "Offer") to acquire all issued shares of Winsor Properties (other than 16.56% already owned by USI) by issuing new shares of USI. The consideration was 2.825 new shares of USI for each share of Wisnor Properties.

After the closing date of the Offer on 29 June 2007, USI owns 67.49% equity interest in Winsor Properties, turning it from a strategic investment into a consolidated subsidiary. As a result, the Group has consolidated Winsor Properties' operating results starting from 29 June 2007. After final closing date of the Offer on 13 July 2007, USI owns a 79.26% equity interest. Discount on acquisition of HK$1,168.6 million was recorded in the Group's consolidated income statement for the year ended 31 December 2007.

Financial Review

Liquidity and Financial Resources

The Group's net assets totalled HK$8,493.0 million as at 31 December 2007 (31 December 2006: HK$2,928.0 million). The increase was mainly resulted from the net effect of the acquisition of Winsor Properties of HK$3,835.9 million, profit for the year of HK$1,840.0 million, distribution of 2006 final dividend of HK$34.2 million and 2007 interim dividend of HK$49.4 million.

At 31 December 2007, the Group's net borrowings (total bank borrowings and other long term loans less bank balances and cash) was HK$2,361.6 million, representing 27.8% of the Group's net assets (31 December 2006: 28.9%). Interest for the Group's bank borrowings was mainly on a floating rate basis. Around 77.8% of the Group's bank borrowings was repayable in periods beyond one year. The Group had bank balances and cash of HK$1,806.4 million at 31 December 2007 which is HK$1,402.8 million higher than at the end of 2006. In addition, the Group had unutilised banking facilities of HK$591.0 million at 31 December 2007 (31 December 2006: HK$676.0 million). The increase in net borrowings and bank balances and cash is due to consolidation of Winsor Properties.

Foreign Currencies

The Group continues to conduct its business mainly in United States Dollars, Renminbi and Hong Kong Dollars. For transactions in other foreign currencies, we have a policy to hedge most such dealings. In addition the majority of our assets are situated in Hong Kong. Thus, our exposure to exchange rate fluctuations is minimal.

Contingent Liabilities

At 31 December 2007, the Group's contingent liabilities were guarantees given to banks of HK$421.4 million (31 December 2006: HK$1.9 million).

Pledge of Assets

At 31 December 2007, HK$863.2 million (31 December 2006: HK$148.0 million) of the Group's advances to associates/jointly controlled entities were subordinated to the loans facilities of associates/jointly controlled entities. The associates/jointly controlled entities include amounts of HK$824.5 million (31 December 2006: HK$109.3 million) which are assigned, and the shares in these associates/jointly controlled entities beneficially owned by the Group were pledged to financial institutions.

At 31 December 2007, certain of the Group's investment properties, freehold properties, leasehold land, leasehold buildings, properties under development and bank deposits with carrying value of HK$2,680.6 million, HK$62.4 million, HK$5,754.2 million, HK$8.6 million, HK$1,175.5 million and HK$21.0 million respectively were pledged to secure credit facilities for the Group.

Prospects

Given the strong platform built in 2007, the Group is ready to take its business to the next level. The slow down in the US economy and the global credit tightening as a result of the subprime crisis may affect credit liquidity in Asia, we are confident that of the Hong Kong property market will remain buoyant supported by sound economic fundamentals. Notwithstanding our confidence, we shall stay vigilant to the challenges of the subprime fallouts and be ready to respond to any threats or opportunities that may take place in the economies that we have operations or investments.

The falling interest rate, low unemployment rate, latest budget tax cuts and infrastructure plans announcement by Hong Kong government will spur demand for real estate. Home prices become more affordable and attractive to buyers with higher disposable income. The Group will launch sales of its prime residential developments when market opportunities open. The Group will continue to seek development opportunities in the local property market capitalising on this favourable environment and strengthening demand from home buyers.

The completion of Landmark East in the third quarter of 2008 will add 1.3 million square feet to the Group's Grade A office portfolio, which will provide a strong recurrent income base to the Group. With the expected strong demand in office space in Hong Kong, the Group expects continued upward rental reversion and improved occupancy for all of its investment properties.

In China, the Government has implemented a number of austerity measures designed to slow down inflationary growth in order to enable a more sustainable economic development. We believe these measures will help to create a more healthy property market. This, we believe, will offer more opportunities for the Group to further its expansion into comprehensive development in China. In addition, the robust economic growth, urbanisation and Renminbi appreciation will continue to drive local demand for quality property. The Group will strategically build its business in China through Lanson Place and the joint venture with Hongkong Land Group.

For our hospitality management and investment business, Lanson Place has secured a strong foothold in Asia. We shall continue to take advantage of the growing Asian economy to expand our presence in China and major Asian cities. A number of projects are in the pipeline and we expect substantial developments and growing results from Lanson Place in 2008 and beyond.

Dividends

The Directors recommend the payment of a final dividend of HK6.5 cents (2006: HK6.5 cents) per share for the year ended 31 December 2007. Including the interim dividend of HK5.0 cents (2006: HK5.0 cents) per share paid on 18 October 2007, the total dividend payout for the year ended 31 December 2007 shall be HK11.5 cents per share. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, final dividend will be payable on or around 16 June 2008 to shareholders registered as at 6 June 2008.

Closure of Register of Members

The register of members of the Company will be closed from 4 June 2008 to 6 June 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the proposed final 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 no later than 4:30 p.m. on 3 June 2008.

Employees

At 31 December 2007, the Group had in excess of 6,300 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 directors, are eligible under the Company's share option scheme in which the share options are generally exercisable in stages within a period of one to five years from the date of grant.

Directors and Senior Management Profile

Executive Directors

Mr. CHENG Wai Chee, Christopher *GBS JP*, aged 59, was appointed Chairman of the Company in 1991. Mr. Cheng is the Chairman of the Remuneration Committee of the Company. He is also the Chairman of Winsor Properties Holdings Limited. Mr. Cheng is a director of several listed companies in Hong Kong, including NWS Holdings Limited, New World China Land Limited and PICC Property and Casualty Company Limited. He is also a director of DBS Group Holdings Ltd., Singapore. Mr. Cheng graduated from the University of Notre Dame with a BBA degree, and also graduated from Columbia University with a MBA degree.

Mr. Cheng plays an active role in public service. He is the Chairman of the Standing Committee on Judicial Salaries and Conditions of Service and a member of the Exchange Fund Advisory Committee of the Government of HKSAR, a member of the Council of University of Hong Kong, a steward of The Hong Kong Jockey Club, a non-executive director of the Securities and Futures Commission and the former Chairman of the Hong Kong General Chamber of Commerce.

Mr. Cheng is a brother of Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis.

Mr. CHENG Wai Sun, Edward *SBS JP*, aged 52, was appointed Chief Executive in 1994 and Deputy Chairman of the Company in 2007. Mr. Cheng is a member of the Remuneration Committee of the Company. He is also a non-executive director of Winsor Properties Holdings Limited and an independent non-executive director of Television Broadcasts Limited. Mr. Cheng has a master degree from Oxford University. He was qualified as a solicitor in the United Kingdom and Hong Kong.

Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. Mr. Cheng is a Justice of the Peace and is awarded the Silver Bauhinia Star by the Hong Kong SAR Government.

Mr. Cheng is a brother of Mr. Cheng Wai Chee, Christopher and Mr. Cheng Man Piu, Francis.

Mr. CHENG Man Piu, Francis, aged 55, was appointed executive director of the Company in 1991. He is the Assistant Managing Director of Wing Tai Corporation Limited. He graduated from the University of Wisconsin with a Bachelor of Science degree in Industrial Engineering and a MBA degree. Mr. Cheng is the Chairman of Group 24 in the Federation of Hong Kong Industries and the Vice-Chairman of The Federation of Hong Kong Garment Manufacturers. He is a general committee member of The Chinese Manufacturers' Association of Hong Kong and Textile Council of Hong Kong and a member of the Textiles Advisory Board of the Trade and Industry Department.

Mr. Cheng is a brother of Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward.

Mr. CHOW Wai Wai, John, aged 58, was appointed executive director of the Company in 2007. He is the Managing Director of Winsor Properties Holdings Limited. He graduated with a Bachelor of Arts (Economics) degree from the University of British Columbia. He is also a non-executive director of Dah Sing Financial Holdings Limited and ARA Trust Management (Suntec) Limited (Manager of the Singapore-listed Suntec Real Estate Investment Trust). He has over 30 years of experience in the property, textile and clothing businesses, and has served as Chairman of the Hong Kong Garment Manufacturers Association and a member of the Textile Advisory Board of the Hong Kong Government.

Mr. NG Tak Wai, Frederick, aged 50, was appointed executive director of the Company in 1995. He graduated from Georgetown University with a BSBA degree, and also graduated from Columbia University with a MBA degree. He has held senior management positions in various garment manufacturing and distribution companies affiliated with the Wing Tai Group. His background is in manufacturing operations and management information systems.

Mr. AU Hing Lun, Dennis, aged 48, was appointed executive director of the Company in 2004. He is the Managing Director of the Group's Property Division and is responsible for the Group's corporate finance function. He is also an executive director of Winsor Properties Holdings Limited. Mr. Au holds a Master of Business Administration degree and a Bachelor of Science degree. He is a fellow member of the Association of Chartered Certified Accountants.

Non-Executive Directors

Mr. KWOK Ping Luen, Raymond, aged 54, was appointed non-executive director of the Company in 1991. He is the Vice Chairman and Managing Director of Sun Hung Kai Properties Limited. He holds a Master of Arts degree in Law from Cambridge University, a Master degree in Business Administration from Harvard University, an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong and an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong. He is the Chairman of SUNeVision Holdings Ltd., Chairman of SmarTone Telecommunications Holdings Limited, a Non-Executive Director of Transport International Holdings Limited and an Independent Non-Executive Director of Standard Chartered Bank (Hong Kong) Limited.

In civic activities, Mr. Kwok is a Director of The Real Estate Developers Association of Hong Kong, a Member of the General Committee of The Hong Kong General Chamber of Commerce, a Member of the Hong Kong Port Development Council and Vice-Chairman of the Council of The Chinese University of Hong Kong.

Mr. WONG Yick Kam, Michael, aged 56, was appointed non-executive director of the Company in 2002. Mr. Wong is a member of the Audit Committee of the Company. He obtained his Bachelor's and Master's degrees in Business Administration from The Chinese University of Hong Kong. Mr. Wong is an executive director of Sun Hung Kai Properties Limited and SUNeVision Holdings Limited. He is the Deputy Chairman of Roadshow Holdings Limited and a non-executive director of SmarTone Telecommunications Holdings Limited.

In community service, Mr. Wong is the Chairman of the Hong Kong Youth Hostels Association. He is a member of the Steering Committee on Promotion of Volunteer Service of the Social Welfare Department and also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong.

Mr. Wong is also an alternate director to Mr. Kwok Ping Luen, Raymond.

Mr. HONG Pak Cheung, William, aged 53, was appointed non-executive director of the Company in 2002. He received a Bachelor of Science degree in Mathematics from the University of Saskatchewan in Canada and completed the Advanced Management Program at Harvard University Graduate School of Business. Mr. Hong currently holds the position of Manager at Sun Hung Kai Properties Limited.

Mr. LOH Soo Eng, aged 67, was appointed non-executive director of the Company in 2007. Mr. Loh was an executive director for the property division of Wing Tai Group since 1991. He retired in 2004 and is currently serving as a non-executive director of Wing Tai Holdings Limited. Prior to joining Wing Tai Group, Mr. Loh was with the DBS Group for 17 years, holding the posts of Executive Director of Raffles City Pte Ltd (now known as CapitaLand (RCS) Property Management Pte Ltd) and General Manager of DBS Land. Mr. Loh has also served on a few Government committees in Singapore, including SAFTI Military College and Temasek Polytechnic. He was the Chairman of SLF Properties Pte Ltd and SLF Management Services Pte Ltd and was the President of Real Estate Developers' Association of Singapore (REDAS) from 2001 to 2003. He graduated with a Bachelor of Engineering (Mechanical) from the University of Adelaide, Australia.

Independent Non-Executive Directors

Mr. Simon MURRAY *CBE*, aged 68, was appointed independent non-executive director of the Company in 1994. Mr. Murray is a member of the Remuneration Committee of the Company. He is the Chairman of General Enterprise Management Services International Limited, a private equity fund management company. Before this, Mr. Murray has been the Executive Chairman Asia/Pacific of the Deutsche Bank Group. He is a director of a number of public companies including Cheung Kong (Holdings) Limited and Orient Overseas (International) Limited.

Mr. FANG Hung, Kenneth *GBS JP*, aged 69, was appointed independent non-executive director of the Company in 1997. Mr. Fang is a member of the Audit Committee and the Remuneration Committee of the Company. He is the Chairman of Fang Brothers Knitting Limited, Times Ltd. and Yeebo (International Holdings) Limited. Mr. Fang is an independent non-executive director of Jiangsu Expressway Company Limited. Mr. Fang graduated from Massachusetts Institute of Technology, U.S.A. in 1961 with a Master's degree in Chemical Engineering. He is an Honorary Chairman of Hong Kong Textile Council and an Honorary President of Hong Kong Woollen and Synthetic Knitting Manufacturers' Association.

Mr. YEUNG Kit Shing, Jackson, aged 58, was appointed independent non-executive director of the Company in 2004. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Yeung has over 25 years of experience in finance and accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung holds a Master of Professional Accounting degree from The Hong Kong Polytechnic University.

Senior Management

Mr. Andreas L HOFER *FHKPU*, aged 68, is the Vice Chairman of Lanson Place, the hospitality management arm of the Group. He joined Lanson Place as Executive Director in 1996 and was part of the founding team. Mr. Hofer has extensive experience in the international Hotel Industry and was with the Mandarin Oriental Hotel Group for 22 years. He was General Manager of the Group's Flagship Hotel Mandarin Oriental, Hong Kong for many years, his last position with the Group was Corporate Vice President South East Asia based in Singapore. He was also Chairman of the Hong Kong Hotels Association. Mr. Hofer joined Wharf Holdings in Hong Kong as President of their Marco Polo International Hotel Division prior to his appointment to a subsidiary of Singapore Land to oversee their Hotel Investments. Concurrent with his tenure as Vice Chairman of Lanson Place, Mr. Hofer is also the Executive Director of Hyde Park Land & Hospitality Management Ltd, a company registered in British Columbia, Canada.

Mr. Hofer was bestowed with a Fellowship from The Hong Kong Polytechnic University in 2007.

Mr. CHUNG Siu Wah, Henry, aged 53, is the Group Legal Counsel. He joined the Group in 1993. Mr. Chung holds a Master's Degree in Electronic Commerce and Internet Computing from The University of Hong Kong, a Bachelor's Degree in Laws from University of London, a Bachelor's Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor's Degree in Laws from Tsinghua University. He is a Barrister, a Certified Accountant and a Chartered Secretary.

Mr. LEUNG Chun Keung, Andrew, aged 51, is responsible for overseeing the Group's investments in China. Prior to joining the Group, he was an executive director of Sunday Communications Limited. He graduated from The University of Hong Kong with an Honours Bachelor's degree in Laws and a Post Graduate Certificate in Laws and was qualified as a solicitor in New South Wales, Australia, the United Kingdom and Hong Kong.

Mrs. LI KAN Fung Ling, Karen, aged 46, is the Executive Director of Lanson Place, the hospitality management arm of the Group. Joining the Group in 1994, she has been responsible for the hospitality projects in Asia and the marketing and sales program of the residential projects in Hong Kong. She has over 20 years of international experience in strategic planning and operations with majority relating to residential properties and hotels — Wharf Hotels Investment Limited (H.K.), Mayfair Regent Hotel (Chicago, U.S.A) and Hilton Hotels Corporation (Beverly Hills, U.S.A.). She holds a BBA degree with distinction in Hotels and Tourism Management from University of Hawaii and a MBA degree in Finance and International Business from George Washington University, Washington, D.C.

Ms. FUNG Ching Man, Janet, aged 45, joined the Group in 2007. She is the Chief Financial Officer, Qualified Accountant and Company Secretary of the Company. Ms. Fung holds a number of professional qualifications and is a fellow member of the Association of Chartered Certified Accountants (UK) and the Hong Kong Institute of Certified Public Accountants, and a member of CPA Australia.

Ms. Fung is an alternate director to Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward on the board of directors of Winsor Properties Holdings Limited.

Directors' Report

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2007.

Principal Activities

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, its subsidiaries and its jointly controlled entities are hereinafter collectively referred to as the Group.

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

Details of the Company's principal subsidiaries, the Group's principal associates and jointly controlled entities at 31 December 2007 are set out in notes 43 to 45 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement on page 42.

An interim dividend of HK5.0 cents (2006: HK 5.0 cents) per share, amounting to a total of about HK$49.4 million, was paid to shareholders in October 2007.

The Directors recommend the payment of a final dividend of HK6.5 cents per share for the year ended 31 December 2007 (2006: HK6.5 cents per share) to shareholders whose names appear on the Register of Members of the Company on 6 June 2008, which together with the interim dividend payment amounts to a total of approximately HK$113.6 million. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, such dividend will be payable to shareholders on or around 16 June 2008.

Share Capital

Movements in the Company's authorised and issued share capital are set out in note 33 to the financial statements.

Reserves

Movements in the reserves of the Group and of the Company are set out in note 35 to the financial statements.

Investment Properties

The Group revalued its investment properties as at 31 December 2007 on an open market value basis. Movements in the investment properties balance during the year are set out in note 15 to the financial statements.

A summary of the properties held by the Group for investment purposes at 31 December 2007 is set out on pages 117 to 118.

Properties under Development

Details of the Group's properties under development as at 31 December 2007 are set out on page 119. Movements in the properties under development during the year are set out in note 16 to the financial statements.

Other Properties, Plant and Equipment

Details of the Group's other properties, plant and equipment as at 31 December 2007 are set out in note 17 to the financial statements.

Donations

During the year, the Group made charitable and other donations totaling HK$0.3 million.

Directors and Directors' Services Contracts

The Directors of the Company during the year and up to the date of this report were:

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
(appointed on 13 August 2007)
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
(appointed on 24 August 2007)
Cheng Wai Keung
(resigned on 24 August 2007)

Independent non-executive directors:

Simon Murray *CBE*
Fang Hung, Kenneth *GBS JP*
Yeung Kit Shing, Jackson

Mr. Cheng Wai Sun, Edward has been appointed by the Board as Deputy Chairman of the Company with effect from 17 July 2007.

In accordance with Bye-law 100(A) of the Company's Bye-laws, Mr. Cheng Man Piu, Francis, Mr. Kwok Ping Luen, Raymond, Mr. Hong Pak Cheung, William and Mr. Yeung Kit Shing, Jackson will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

Pursuant to the Bye-law 103(B), Mr. Chow Wai Wai, John and Mr. Loh Soo Eng shall hold office until the forthcoming annual general meeting and, being eligible offer themselves for re-election.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Public Float

As at the latest practical date prior to the issue of this annual report, the Company has maintained the prescribed public float under the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules"), based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company.

Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 December 2007, the interests or short positions of the Directors and the Chief Executive of the Company in the Shares, underlying Shares of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register maintained by the Company pursuant to 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 ("Model Code") were as follows:

1. Interests in the Company

Long Positions in the shares of the Company

	Number of ordinary shares held					
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Aggregate Interests	Percentage of the Company's issued share capital
Cheng Wai Chee, Christopher	2,512,499	–	148,439,086 (Note a)	332,152,024 (Note b)	483,103,609	48.92%
Cheng Wai Sun, Edward	2,436,500	–	–	332,152,024 (Note b)	334,588,524	33.88%
Cheng Man Piu, Francis	–	–	–	332,152,024 (Note b)	332,152,024	33.64%
Ng Tak Wai, Frederick	135,750	762,000	–	–	897,750	0.09%
Au Hing Lun, Dennis	486,500	–	–	–	486,500	0.05%
Kwok Ping Luen, Raymond	–	–	–	6,918,425 (Note c)	6,918,425	0.70%

Notes:

(a) Mr. Cheng Wai Chee, Christopher was deemed to be interested in 148,439,086 ordinary shares of the Company beneficially owned by Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited by virtue of his corporate interests in these companies through Wing Tai (Cheng) Holdings Limited, Renowned Development Limited and Wing Tai Corporation Limited. Bestime Resources Limited, Pofung Investments Limited and Broxbourne Assets Limited were the beneficial owners of 68,747,996, 66,698,122 and 12,992,968 ordinary shares of the Company respectively.

(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 332,152,024 ordinary shares of the Company beneficially owned by Brave Dragon Limited and Wing Tai Garment Manufactory (Singapore) Pte Limited and Crossbrook Group Limited as set out in the section headed "Substantial Shareholders' Interests and Short Positions in Shares" below.

(c) Mr. Kwok Ping Luen, Raymond was a beneficiary of a trust, whose assets include interests in 6,918,425 ordinary shares of the Company.

2. Interests in Associated Corporation of the Company

Long Positions in the shares of Winsor Properties Holdings Limited ("Winsor")

	Number of ordinary shares held					
Name of director	Personal interests	Family interests	Corporate interests	Other interests	Aggregate Interests	Percentage of Winsor's issued share capital
Cheng Wai Chee, Christopher	–	27,000	–	205,835,845 (Note)	205,862,845	79.27%
Cheng Wai Sun, Edward	–	–	–	205,835,845 (Note)	205,835,845	79.26%
Cheng Man Piu, Francis	–	–	–	205,835,845 (Note)	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%

Note: 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 beneficially owned by Twin Dragon Investments Limited, Shui Hing Textile International Limited and the Company.

Save as disclosed above, none of the Directors nor 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 the SFO) which has been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO and have been recorded in the register maintained by the Company pursuant to section 352 of the SFO; or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

Details of the share options granted to an independent non-executive director under the Share Option Scheme are as follows:

Outstanding options at 1 January 2007 and 31 December 2007

Name of director	Date of grant	As at 1 January 2007	Exercised during the year	As at 31 December 2007	Exercisable period	Exercise price per share
Simon Murray	19.4.2005	1,000,000	–	1,000,000	19.4.2006 to 18.4.2010	HK$2.125

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. No options were exercised during the year 2007. The options were granted under the Share Option Scheme of the Company adopted on 10 June 2003.

Details of the Share Option Scheme of the Company are set out in note 34 to the financial statements.

Share Incentive Scheme

Details of the incentive shares awarded to the executive directors under the Share Incentive Scheme are as follows:

Name of director	Date of award	As at 1 January 2007	Awards made during the year	Incentive Shares Subscribed during the year	As at 31 December 2007	Vesting date/ period
Cheng Wai Chee, Christopher	13.9.2005	450,000	–	150,000	300,000	13.9.2008
	25.4.2006	546,000	–	136,500	409,500	12.1.2008 to 12.1.2009
	26.7.2007	–	327,000	–	327,000	8.2.2008 to 8.2.2010
Cheng Wai Sun, Edward	13.9.2005	450,000	–	150,000	300,000	13.9.2008
	25.4.2006	546,000	–	136,500	409,500	12.1.2008 to 12.1.2009
	26.7.2007	–	327,000	–	327,000	8.2.2008 to 8.2.2010
Ng Tak Wai, Frederick	13.9.2005	67,500	–	22,500	45,000	13.9.2008
	25.4.2006	59,000	–	14,750	44,250	12.1.2008 to 12.1.2009
Au Hing Lun, Dennis	13.9.2005	112,500	–	37,500	75,000	13.9.2008
	25.4.2006	110,000	–	27,500	82,500	12.1.2008 to 12.1.2009
	26.7.2007	–	131,000	–	131,000	8.2.2008 to 8.2.2010

Note: Subscription price per share is the nominal value of the ordinary share of the Company. Fund for subscription of ordinary shares will be provided by the Company when the executive directors exercise the right to subscribe for ordinary shares of the Company.

Details of the Share Incentive Scheme of the Company are set out in note 34 to the financial statements.

Other than as disclosed above, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the Directors or the Chief Executive of the Company to acquire benefits by means of acquisition of shares in, or debt securities (including debentures) of, the Company or any other body corporate and none of the directors, the chief executive, their spouses or children under the age of 18, had any right to subscribe for securities of the Company, or had exercised any such right during the year.

Substantial Shareholders' Interests and Short Positions in Shares

As at 31 December 2007, the following persons (other than the Directors and the Chief Executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO:

Name of shareholder	Long/Short Position	Number of ordinary shares beneficially held	Percentage in the issued share capital of the Company
Brave Dragon Limited	Long	106,345,862	10.77%
Crossbrook Group Limited	Long	202,808,162	20.54%
Wing Tai Holdings Limited	Long	332,152,024	33.64% (Note 1)
Deutsche Bank International Trust Co. (Jersey) Limited	Long	332,152,024	33.64% (Note 2)
Deutsche Bank International Trust Co. (Cayman) Limited	Long	332,152,024	33.64% (Note 2)
Bestime Resources Limited	Long	68,747,996	6.96%
Pofung Investments Limited	Long	66,698,122	6.75%
Wing Tai Corporation Limited	Long	135,446,118	13.72% (Note 3)
Renowned Development Limited	Long	135,446,118	13.72% (Note 3)
Wing Tai (Cheng) Holdings Limited	Long	148,439,086	15.03% (Note 4)
Wesmore Limited	Long	83,946,158	8.50%
Sun Hung Kai Properties Limited	Long	136,956,400	13.87% (Note 5)
Gala Land Investment Co Ltd	Long	76,184,600	7.71%
Farnham Group Ltd	Long	76,184,600	7.71% (Note 6)
Chou Wen Hsien	Long	112,824,744	11.43% (Note 7)
Chou Yim Wan Chun, Ina	Long	112,824,744	11.43% (Note 7)
Chow Chung Kai	Long	112,609,202	11.40% (Note 8)
Chow Yu Yue Chen	Long	112,609,202	11.40% (Note 8)

Notes:

(1) 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 Garment Manufactory (Singapore) Pte Limited. Wing Tai Garment Manufactory (Singapore) Pte Limited owned 22,998,000 Shares.

(2) 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) whose 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.

(3) 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 the Shares held by Bestime and Pofung.

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.

(4) 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.

(5) 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").

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.

(6) 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 in the Company by virtue of its corporate interest in it.

(7) 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.

(8) 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.

All the interests in shares disclosed under this section represent long position in the shares of the Company. Save as disclosed above, as at 31 December 2007, the Company is not aware of any other person (other than the Directors and the Chief Executive of the Company) who has an interest or a short position in the shares or underlying shares of the Company which was required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and have been recorded in the register kept by the Company pursuant to section 336 of the SFO.

Directors' Interests in Contracts

There were no contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, which subsisted at the end of the year or at any time during the year.

Directors' Interests in Competing Businesses

The interests of directors of the Company in competing business required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis are substantial shareholders of Wing Tai (Cheng) Holdings Limited and Pacific Investment Exponents Inc. (the "Group One Companies"). Mr. Cheng Wai Chee, Christopher and Mr. Cheng Man Piu, Francis are directors of Wing Tai (Cheng) Holdings Limited. Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis are directors of Pacific Investment Exponents Inc.

Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis are beneficiaries of a family trust which is a substantial shareholder of Wing Tai Garment Industrial Holdings Limited (the "Group Two Company"). Mr. Cheng Wai Chee, Christopher and Mr. Cheng Man Piu, Francis are directors of the Group Two Company.

Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis are beneficiaries of a family trust which is a substantial shareholder of Wing Tai Asia Holdings Limited and Terebene Holdings Inc. (the "Group Three Companies").

Certain companies controlled by the Group One Companies and the Group Two Company carry on garment business in China which may be regarded as competitive to the Group's apparel business.

Certain companies affiliated with the Group Three Companies carry on garment business in Malaysia which might be regarded as competitive to the Group's apparel business.

The Company's independent non-executive directors and the members of the Company's Audit Committee will ensure that the Group is capable of carrying on its business independently of, and at arm's length from the aforesaid garment businesses.

Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward, Mr. Chow Wai Wai, John and Mr. Au Hing Lun, Dennis are directors of Winsor. Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Chow Wai Wai, John are interested in the equity of Winsor. Winsor became a subsidiary of the Company since June 2007. The property development business of Winsor may be regarded as competitive to the Group's property development business.

The independent non-executive directors of the Company and the members of the Company's Audit Committee will ensure that the Group is capable of carrying on its businesses independently of, and at arm's length from the aforesaid property development business of Winsor.

Mr. Kwok Ping Luen, Raymond and Mr. Wong Yick Kam, Michael are directors of Sun Hung Kai Properties Limited ("SHKP"). Businesses of SHKP consist of property development and investment. Only in this respect they are regarded to be interested in the relevant competing business with the Group.

Mr. Kwok Ping Luen, Raymond is a director of Transport International Holdings Limited ("TIH"). Businesses of TIH consist of property development and investment. Only in this respect he is regarded to be interested in the relevant competing business with the Group.

The aforesaid competing businesses, in which Mr. Kwok Ping Luen, Raymond and Mr. Wong Yick Kam, Michael are regarded to be interested, are managed by separate publicly listed companies with independent management and administration. In this respect, coupled with the diligence of its independent non-executive directors and the Audit Committee, the Group is capable of carrying on its business independently of, and at arm's length from the said competing businesses.

Connected Transactions

The Group had the following connected transactions, details of which are set out below:

I) Connected Transactions

1. On 3 December 2004, USI Properties Limited ("USIP") (formerly known as USI Property Management Limited), a wholly-owned subsidiary of the Company, entered into a project management agreement ("PM Agreement") with Begin Land Limited ("Begin Land"), a wholly-owned subsidiary of Winsor. Pursuant to the PM Agreement, Begin Land appointed USIP as the project manager to manage the construction and development of the property situated at 102 How Ming Street, Kwun Tong, Kowloon for a term of approximately 70 months commencing on 1 December 2004 until the date of settlement of the final account in respect of the property project which is expected to be a date not later than 30 September 2010.

The project management fee paid by Begin Land to USIP in 2007 amounted to HK$1.8 million. By virtue of Winsor's subsidiary being a substantial shareholder of the Company's two subsidiaries, Winsor and Begin Land are connected persons of the Company and the provision of management services by USIP to Begin Land constituted a connected transaction of the Company for the purpose of the Listing Rules.

2. On 10 April 2007, the Company jointly announced with Winsor that a voluntary conditional securities exchange offer was made by Cazenove Asia Limited on behalf of the Company to acquire all the issued shares in the capital of Winsor (other than those already held by the Company or its subsidiaries) (the "Offer"). Based on an exchange ratio of 2.825 USI Shares per Winsor Share (each as defined in the Company's announcement dated 10 April 2007) and 216,693,901 Winsor Shares in issue as at 10 April 2007 (excluding those held by the Company or its subsidiaries), the maximum number of new USI Shares that the Company issued as consideration under the Offer was approximately 612,160,270. This represented approximately 116.21% of the issued share capital of the Company of 526,767,089 USI Shares as at 10 April 2007 and approximately 53.75% of the enlarged issued share capital of the Company of 1,138,927,358 USI Shares immediately following the issue of the new USI Shares.

   Crossbrook Group Limited ("Crossbrook") is a connected person of the Company (by virtue of it being a subsidiary of Wing Tai Holdings Limited, a substantial shareholder of the Company) for the purposes of the Listing Rules. As such, the acquisition of Winsor Shares under the Offer by the Company from Crossbrook and the allotment and issue of new USI Shares by the Company to Crossbrook as consideration under the Offer constituted a connected transaction for the Company for the purposes of the Listing Rules. The acquisition of Winsor Shares by the Company from the directors of the Company and their associates and any other connected persons of the Company under the Offer and the allotment and issue of new USI Shares by the Company to the Company's Directors and their associates and any other connected persons of the Company as consideration under the Offer also constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

   As SHKP and Mr. Kwok Ping Luen, Raymond are connected persons of the Company under the Listing Rules, the acquisition of Winsor Shares from SHKP, its associates and Mr. Kwok Ping Luen, Raymond under the Offer and the allotment and issue of new USI Shares to each of them as consideration under the Offer also constituted a connected transaction for the Company under the Listing Rules.

   The above Offer and connected transactions were approved by the independent shareholders of the Company by way of a poll at the special general meeting held on 8 June 2007.

3. On 22 November 2007, the Company announced that the Company's wholly-owned subsidiary, Grandslam Limited ("Grandslam") entered into a share sale and purchase agreement with Superfine Limited ("Superfine"), a wholly-owned subsidiary of Wheelock Properties Limited ("Wheelock"). Pursuant to the agreement, Grandslam agreed to purchase and Superfine agreed to sell 150,000 shares of HK$1.00 each in the issued share capital of Unimix Holdings Limited ("Unimix Holdings"), representing approximately 13.64 per cent. of the issued share capital of Unimix Holdings for an aggregate consideration of HK$4.00. Prior to the acquisition, the Company had an indirect interest in Unimix Holdings of approximately 86.36 per cent. of the issued share capital of Unimix Holdings, and as a result of the transaction Unimix Holdings became a wholly-owned indirect subsidiary of the Company.

Superfine is a connected person of the Company by virtue of its shareholding in Unimix Holdings, an indirect subsidiary of the Company, and accordingly the transaction constituted a connected transaction of the Company. Such acquisition by Grandslam was completed on 27 November 2007.

4. The Company announced on 22 November 2007, the Company and its indirect wholly-owned subsidiary, USI Properties International Limited ("USIPI"), entered into share sale and purchase agreements (the "Agreements") with Winsor and its wholly-owned subsidiaries, Winsor Properties (Hong Kong) Limited ("Winsor Properties") and Allied Effort Limited ("Allied Effort") (together, the "Purchasers"). Pursuant to the Agreements, USIPI agreed to sell and the Purchasers agreed to purchase the entire issued share capital of Unimix Properties Limited ("Unimix Properties") and Grandeur Investments Limited ("Grandeur") and 70% of the issued share capital of Winnion Limited ("Winnion"), being the Company's entire interest in Winnion, and certain related intra-group receivables for an aggregate consideration of HK$1,125 million, subject to post-completion adjustment.

   Unimix Properties, Grandeur and Winnion hold three properties in Hong Kong — namely Unimix Industrial Centre, No. 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong; Shui Hing Centre, No. 13 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong; and W Square, Nos. 314-324 Hennessy Road, Wanchai, Hong Kong respectively.

   By virtue of Allied Effort being the holder of 10% or more of the issued share capital of Winnion and two other subsidiaries of the Company as at 22 November 2007, Winsor and its subsidiaries are connected persons of the Company under the Listing Rules and the above disposals constituted connected transactions for the Company under Chapter 14A of the Listing Rules. The Stock Exchange has granted a waiver to the Company from the requirement for approval by shareholders in general meeting and the appointment of an independent financial adviser to provide advice to the independent board committee and the independent shareholders of the Company.

II) Continuing Connected Transactions

1. On 22 June 2005, the Group formed a joint venture with Morgan Stanley Real Estate Fund IV International Funds ("MSREF IV International"), a substantial shareholder of a subsidiary of the Company and therefore a connected person of the Company under the Listing Rules, in respect of the Lanson Place Jin Lin Tian Di serviced apartment project (the "Project").

   Lanson Place Hospitality Management Limited (formerly known as Lanson Place Management Limited and hereinafter referred to "Lanson Place"), a wholly-owned subsidiary of the Company, entered into an Operating Agreement with Shanghai Jinlin Tiandi Serviced Apartment Management Co. Ltd ("WFOE") pursuant to which Lanson Place is to manage the assets of the Project on behalf of WFOE. The Operating Agreement is for a term of three years commencing from 22 June 2005.

   The total management fee of HK$2,612,000 (2006: HK$1,523,000) received by Lanson Place for the year ended 31 December 2007 is within the 2007 annual cap of HK$5,700,000 as set out in the Company's announcement dated 23 June 2005.

2. On 31 October 2006, the Company's indirect wholly-owned subsidiary, Gieves Limited ("Gieves"), entered into an agreement with Wensum Tailoring Company Limited ("Wensum") (the "Agreement"). Pursuant to the Agreement, Gieves may place orders with Wensum for supply of certain finished tailored menswear or their components during the period from 31 October 2006 to 31 December 2008.

   Wensum Clothing Company plc (an independent third party to the Group) was a supplier of Gieves. In May 2006, Wensum acquired the business and certain trading assets and liabilities of Wensum Clothing Company plc. Wensum is an indirect wholly-owned subsidiary of Wing Tai Corporation Limited. As Wing Tai Corporation Limited is a substantial shareholder of the Company and hence Wensum is a connected person of the Company for the purpose of the Listing Rules.

   Purchases made by Gieves from Wensum for the year ended 31 December 2007 amounted to GBP1,497,000 (equivalent to approximately HK$23,278,000), which is within the 2007 annual cap of GBP1,500,000 as set out in the Company's announcement dated 3 November 2006.

The independent non-executive directors of the Company have reviewed and confirmed that the above continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms;

(c) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and

(d) have not exceeded the relevant maximum amount capped in accordance to the annual caps as set out in the relevant public announcements.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the auditor of the Company and perform certain factual finding procedures on the above continuing connected transactions on a sample basis in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has reported their factual findings for the selected samples based on the agreed procedures to the Board of Directors stating that:

(a) the selected samples of the transactions had been approved by the Board of Directors;

(b) with respect to item 1 above, the selected samples of the fee amounts have been calculated in accordance with the Operating Agreement;

(c) with respect to item 2 above, the selected samples of the transactions were in agreement with the invoices from Wensum and in accordance with the terms of the Agreement; and

(d) such transactions, when applicable, had not exceeded the annual caps as disclosed in relevant announcements.

3. The Company and various of its subsidiaries have entered into leases of various units and car parks and the provision of management services in Unimix Industrial Centre, No. 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong (the "Tenancy Agreements") with Unimix Properties with effect from 25 August 2007, 1 September 2007 and 1 November 2007 each for a term of 12 months in the case of units and on a monthly basis in the case of car parks.

   Upon the completion of the sale of Unimix Properties to Winsor Properties on 31 December 2007 under the sale and purchase agreement dated 22 November 2007 entered into between USIPI, an indirect wholly-owned subsidiary of the Company and Winsor Properties, a subsidiary of Winsor, the Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules as Winsor and its subsidiaries are connected persons of the Company . The aggregate amounts payable under the Tenancy Agreements will not exceed the annual caps of HK$14.1 million, HK$15.4 million and HK$16.1 million for the financial years ending 31 December 2008, 31 December 2009 and 31 December 2010 respectively.

Major Customers and Suppliers

For the year ended 31 December 2007, the aggregate amount of turnover attributable to the Group's five largest customers was less than 30% of the total value of the Group's turnover. The aggregate amount of purchase attributable to the Group's five largest suppliers was less than 30% of the total value of the Group's purchases.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2007, the aggregate amount of financial assistance to and guarantees given for facilities granted to affiliated companies by the Group amounted to HK$2,220.6 million in aggregate which exceeded 8% of the assets ratio as defined in Rule 14.07(1) of the Listing Rules.

A pro-forma combined balance sheet of these affiliated companies and the Group's attributable interest in these affiliated companies as at 31 December 2007 are presented below:

	Pro-forma combined balance sheet HK$'M	**Group's attributable interest** HK$'M
Non-current assets	14,285.6	2,567.8
Current assets	5,005.2	795.6
Current liabilities	(1,099.0)	(392.1)
Non-current liabilities	(13,770.6)	(1,331.8)
Net assets	4,421.2	1,639.5

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed shares during the year.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Bye-laws although there is no restriction against such rights under the laws in Bermuda.

Five Years Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 120 of this annual report.

Auditor

A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board
Cheng Wai Chee, Christopher
Chairman

Hong Kong, 15 April 2008

1. Compliance with Appendix 14 to the Rules Governing the Listing of Securities (“Listing Rules”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”)

The Company has complied with the provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules, except that non-executive directors were not appointed for specific terms but they are subject to retirement by rotation in accordance with the Company’s Bye-laws, throughout the financial year ended 31 December 2007.

2. Compliance with Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”)

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.

The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended 31 December 2007, and received confirmation from all the directors that they had fully complied with the required standard set out in the Model Code throughout the year.

3. Board of Directors

As at the date of this report, the Company’s Board of Directors (the “Board”) comprises six executive directors, four non-executive directors and three independent non-executive directors. Biographies of all the directors are set out on pages 14 to 16 of this annual report.

Each of the independent non-executive directors had confirmed his independence with the Stock Exchange before September 2004. The Company has received annual confirmations from all independent non-executive directors that, save as disclosed in the annual report, they did not have any business or financial interest with the Group and were independent as at 31 December 2007 in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the existing independent non-executive directors of the Company are independent.

Chairman and Chief Executive

Mr. Cheng Wai Chee, Christopher is the Chairman of the Board and Mr. Cheng Wai Sun, Edward is the Deputy Chairman and Chief Executive of the Group. While the Chairman of the Board is responsible for providing leadership for the Board, ensuring that all directors are properly briefed on issues arising at Board meetings and receive complete, reliable and timely information, the Chief Executive is responsible for the day-to-day management of the Group’s business.

Non-executive Directors

The non-executive directors (including independent non-executive directors) were not appointed for specific terms but all of them are subject to retirement by rotation in accordance with the Bye-laws of the Company.

Functions and responsibilities of the Board

On 12 July 2005, the Company formalised in writing the functions and responsibilities reserved to the Board and the functions and responsibilities delegated to management as follows:

i) the Board shall approve the yearly budgets of the Company and its subsidiaries;

ii) the Board shall monitor the operating and financial performance of the Company and its subsidiaries;

iii) the Board shall oversee the processes for evaluation of the adequacy of internal controls, risk management, financial reporting and compliance;

iv) the Board shall assume responsibility for corporate governance; and

v) the day-to-day operations of the Company and its subsidiaries is delegated to the management led by the Chief Executive.

Six board meetings had been held during the year. Attendance of each member at the board meeting is set out in the table under the section headed "Meeting Attendance" of this report.

4. Remuneration Committee

The Remuneration Committee was formed on 12 July 2005. The Remuneration Committee's terms of reference specify that the committee must comprise of at least three members and the majority of whom are independent non-executive directors. The terms of reference are available on the Company's website.

During the year and up to the date of this report, the members of the Remuneration Committee are:

Mr. Cheng Wai Chee, Christopher *(Committee Chairman)*
Mr. Cheng Wai Sun, Edward
Mr. Simon Murray
Mr. Fang Hung, Kenneth
Mr. Yeung Kit Shing, Jackson

The duties and functions of the Remuneration Committee mainly are:

(i) recommendation of remuneration policy and structure for directors and senior management;

(ii) determination of remuneration packages of executive directors and senior management;

(iii) review and approval of performance-based remuneration for executive directors and senior management; and

(iv) recommendation of remuneration packages for non-executive directors.

Remuneration Committee met once in 2007. Attendance of each member at the Remuneration Committee meeting held is set out in the table under the section headed "Meeting Attendance" of this report.

The following works were performed by the Remuneration Committee during 2007:

a) review and approval of the remuneration policy, with a recommendation to the Board for approval;

b) determination of remuneration package of executive directors for the year ended 31 December 2007; and

c) review and approval of the proposal of directors' fee for the year ended 31 December 2007, with a recommendation to the shareholders for approval.

Remuneration Policy for Executive Director and Senior Management

The principal elements of the executive directors' and senior management's remuneration packages include basic salaries and discretionary bonus which includes both cash and incentive shares. The remuneration packages of the executive directors and senior management will be proposed jointly by the Chairman and the Chief Executive of the Group annually for the review and approval of the Remuneration Committee based on the following factors:

a) the executive director's and senior management's responsibilities;

b) the executive director's and senior management's individual performance;

c) performance of the business unit(s) headed by the executive director and senior management; and

d) performance of the Group as a whole.

Remuneration Policy for Non-Executive Directors

The non-executive directors' remuneration, comprising directors' fee, is subject to annual assessment and recommendation by the Remuneration Committee for shareholders' approval at the annual general meetings.

5. Nomination of Directors

The Board reviews its structure and composition on a regular basis to ensure that it has the expertise and independence to carry out its functions and responsibilities. Pursuant to the Bye-laws of the Company, any director newly appointed by the Board during the year shall hold office until the next annual general meeting and shall then be eligible for re-election at that annual general meeting.

6. Audit Committee

The Audit Committee was formed on 9 March 1999. The terms of reference of the Audit Committee are published on the Company's website which specify that the committee must comprise of at least three members and the majority of whom are independent non-executive directors. During the year and up to the date of this report, the members of the Audit Committee are:

Mr. Yeung Kit Shing, Jackson *(Committee Chairman)*
Mr. Fang Hung, Kenneth
Mr. Wong Yick Kam, Michael
Mr. Hong Pak Cheung, William *(alternate to Mr. Wong Yick Kam, Michael)*

The duties of the Audit Committee shall be:

(a) to consider the appointment of the external auditor, the audit fee, and any questions of resignation or dismissal;

(b) to discuss with the external auditor before the audit commences, the nature and scope of the audit, and ensure co-ordination where more than one audit firm is involved;

(c) to review the interim and annual financial statements before submission to the Board;

(d) to discuss problems and reservations arising from the interim and final audits, and any matters the auditor may wish to discuss (in the absence of management where necessary);

(e) to review the external auditors management letter and management's response;

(f) to review the Company's statement on internal control systems (where one is included in this report) prior to endorsement by the Board;

(g) to review the internal audit program, ensure co-ordination between the internal and external auditors, and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company;

(h) to consider the major findings of internal investigations and management's response; and

(i) to consider other topics, as defined by the Board.

The Audit Committee met three times in 2007. Attendance of each member at the Audit Committee meeting held is set out in the table under the section headed "Meeting Attendance" of this report.

The following works were performed by the Audit Committee during 2007:

a) review of the external auditor's audit plan for the year ended 31 December 2006;

b) review of the 2007 internal audit plan;

c) review of the 2006 work progress report and the work performed by internal audit in 2006;

d) review and approval of the annual report and results announcement for the year ended 31 December 2006, with a recommendation to the Board for approval;

e) review of the external auditor's report on the audit of the financial statements for the year ended 31 December 2006;

f) review of the 2007 work-in-progress report of internal audit;

g) review and approval of the interim report and interim results announcement for the six months ended 30 June 2007, with a recommendation to the Board for approval;

h) review of the external auditor's report on the review of interim financial statements for the six months ended 30 June 2007; and

i) self-assessment of Audit Committee.

7. Internal Controls

The Board has the overall responsibility for the operations of the Group's internal control system and reviewing its effectiveness under the governance of the Audit Committee. Procedures have been designed to safeguard assets against any unauthorised use or disposition with the purpose to ensure the proper maintenance of accounting records for the provision of reliable financial information for internal use or for publication as well as their respective compliance to laws, rules and regulations. However, the system is designed to manage and minimise, rather than eliminate the risk of failure to achieve business objectives and provide reasonable assurance against misstatement or loss.

The Board assesses the effectiveness of the overall system of internal control by considering reviews performed by the Audit Committee, executive management as well as both internal and external auditor with the understanding that such system is an ongoing process to identify, evaluate and manage significant risks faced by the Group. The internal control system of the Group has been in place and was functioning effectively for the year under review and the process is regularly reviewed.

The Group's internal audit department reports major findings and recommendations to the Audit Committee on a regular basis. The Audit Committee endorses the annual internal audit plan that is practically linked to the Group's areas of focus. The audit plan is prepared under a risk based approach and covers the Group's significant areas of operations, which are reviewed annually.

The scope of the work performed covers all material controls including financial, operational and compliance controls as well as risk management policies and procedures. Major operational, financial and risk management controls of the Group are continuously reviewed and aim to cover all major business units and operations of the Group on a rotational basis. Audit findings and recommendations are presented at the Audit Committee meetings. The implementation of all agreed recommendations is to be followed up on a quarterly basis.

For the financial year ended 31 December 2007, the Board, through the Audit Committee had conducted a review of the effectiveness of the internal control system of the Group as reported by the Group's internal audit department.

8. Meeting Attendance

The attendance of individual members at the Board and Committees meetings in 2007 are detailed in the following table:

	Meetings attended / Eligible to attend		
	Board	**Remuneration Committee**	**Audit Committee**
Executive directors			
Mr. Cheng Wai Chee, Christopher	6/6	1/1	N/A
Mr. Cheng Wai Sun, Edward	6/6	1/1	N/A
Mr. Cheng Man Piu, Francis	6/6	N/A	N/A
Mr. Chow Wai Wai, John[1]	2/2	N/A	N/A
Mr. Ng Tak Wai, Frederick	6/6	N/A	N/A
Mr. Au Hing Lun, Dennis	6/6	N/A	N/A
Non-executive directors			
Mr. Kwok Ping Luen, Raymond *(with Wong Yick Kam, Michael as alternate)*	4/6	N/A	N/A
Mr. Wong Yick Kam, Michael	5/6	N/A	3/3
Mr. Hong Pak Cheung, William	6/6	N/A	N/A
Mr. Loh Soo Eng[2]	2/2	N/A	N/A
Mr. Cheng Wai Keung[3]	1/4	N/A	N/A
Independent non-executive directors			
Mr. Simon Murray	1/6	1/1	N/A
Mr. Fang Hung, Kenneth	3/6	1/1	1/3
Mr. Yeung Kit Shing, Jackson	6/6	1/1	3/3

Remarks:

1. Appointed as an executive director on 13 August 2007
2. Appointed as a non-executive director on 24 August 2007
3. Resigned as a non-executive director on 24 August 2007

9. Directors' Remuneration

The directors' remuneration is set out in note 9 to the financial statements on pages 75 to 77 of this annual report.

10. Auditor's Remuneration

PricewaterhouseCoopers ("PwC") was re-appointed as the auditor of the Company at the last annual general meeting of the Company held on 8 June 2007. The remuneration in respect of audit and non-audit services provided by PwC for the financial year ended 31 December 2007 are HK$3,894,000 (2006: HK$2,030,000) and HK$3,101,000 (2006: HK$782,000) respectively.

The significant non-audit services covered by these fees include the following:–

Nature of services	**Fee paid** (HK$)
Tax services	711,000
Special projects	2,390,000
Total	3,101,000

11. Financial Reporting

The directors of the Company acknowledged that they are responsible for the preparation of the financial statements which give a true and fair view and that appropriate accounting policies have been selected and applied consistently. The statement of the auditor of the Company relating to their reporting and responsibilities on the financial statements of the Company is set in the Auditor's Report on pages 40 to 41 of this annual report.

12. Corporate Communication

The annual general meeting provides a forum for shareholders to exchange views with the Board. The Chairman of the Board, Chairman of Audit Committee and Chairman of the Remuneration Committee will be available to answer shareholders' questions at the meeting.

Details of the poll voting procedures and the rights of shareholders to demand a poll are included in the circular to shareholders which is dispatched together with this annual report.

All the publications of the Company, including annual report, interim report, circular, notice of general meetings, results of the poll of general meetings are available on the Stock Exchange's website at www.hkexnews.com.hk.

The Company's website at www.usi.com.hk offers timely access to investors regarding the Company's financial, corporate and other information.

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TO THE SHAREHOLDERS OF USI HOLDINGS LIMITED
(incorporated in the Bermuda with limited liability)

We have audited the consolidated financial statements of USI Holdings Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 116, which comprise the consolidated and company balance sheets as at 31 December 2007, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The Directors are responsible for the preparation and the true and fair presentation of these consolidated financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2007 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 15 April 2008

Consolidated Income Statement

For the year ended 31 December 2007

	Note	2007 HK$'M	2006 HK$'M
Revenue/turnover	5	**2,209.7**	2,699.4
Cost of sales		**(1,292.5)**	(1,573.1)
Gross profit		**917.2**	1,126.3
Other gains/losses, net	7	**53.9**	33.2
Selling and distribution costs		**(183.3)**	(154.6)
Administrative expenses		**(372.4)**	(325.2)
Change in fair value of investment properties	15	**458.0**	336.3
Excess of the Group's share of fair value of net assets of subsidiaries acquired over the cost of acquisition ("discount on acquisition")	36	**1,168.6**	—
Profit from operations	8	**2,042.0**	1,016.0
Finance charges		**(44.3)**	(41.7)
Finance income		**31.7**	9.4
Net finance charges	10	**(12.6)**	(32.3)
Share of results of associates	19	**2.5**	25.8
Profit before taxation		**2,031.9**	1,009.5
Taxation	11	**(191.9)**	(183.6)
Profit for the year		**1,840.0**	825.9
Attributable to:			
Equity holders of the Company		**1,735.9**	738.3
Minority interests		**104.1**	87.6
		1,840.0	825.9
Dividends	12	**113.6**	60.5
Earnings per share for profit attributable to equity holders of the Company			
(expressed in HK dollars per share)	13		
— Basic		**HK$2.32**	HK$1.40
— Diluted		**HK$2.31**	HK$1.40

The notes on pages 50 to 116 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2007

	Note	2007 HK$'M	2006 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights	14	**5,772.4**	776.3
Investment properties	15	**3,463.0**	1,563.1
Properties under development	16	**1,175.5**	128.7
Other properties, plant and equipment	17	**294.0**	301.0
Interests in associates	19(a)	**652.1**	163.9
Strategic investments	20	**526.7**	639.8
Deferred tax assets	32	**6.1**	16.2
Loans and receivables	21	**417.3**	86.2
		12,307.1	3,675.2
Current assets			
Inventories	22	**147.2**	122.4
Properties for sale	23	**62.3**	302.7
Loan receivable	21	**20.8**	—
Trade and other receivables, deposits and prepayments	24	**329.3**	192.2
Financial assets at fair value through profit or loss	25	**14.9**	—
Derivative financial instruments	26	**0.6**	0.2
Sales proceeds held in stakeholders' accounts		**98.5**	65.8
Amounts due from associates	19(b)	**25.9**	18.6
Tax recoverable		**1.7**	2.9
Pledged bank deposits	40	**21.0**	—
Bank balances and cash	27	**1,806.4**	403.6
		2,528.6	1,108.4
Current liabilities			
Trade and other payables and accruals	28	**694.9**	329.2
Derivative financial instruments	26	**10.0**	—
Amount due to an associate	19(c)	**10.1**	4.9
Tax payable		**302.9**	123.4
Short-term bank borrowings and overdrafts	29	**13.7**	15.1
Bank loans due within one year	30	**902.7**	48.7
		1,934.3	521.3
Net current assets		**594.3**	587.1
Total assets less current liabilities		**12,901.4**	4,262.3

Consolidated Balance Sheet

At 31 December 2007

	Note	2007 HK$'M	2006 HK$'M
Non-current liabilities			
Bank loans due after one year	30	**3,208.0**	1,000.0
Derivative financial instruments	26	**31.8**	—
Other long-term loans	31	**43.6**	187.4
Deferred tax liabilities	32	**1,125.0**	146.9
		4,408.4	1,334.3
NET ASSETS		**8,493.0**	2,928.0
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	33	**493.7**	263.3
Reserves	35(a)	**6,606.1**	2,449.5
		7,099.8	2,712.8
Minority interests		**1,393.2**	215.2
TOTAL EQUITY		**8,493.0**	2,928.0

The financial statements on pages 42 to 116 were approved and authorised for issue by the Board of Directors on 15 April 2008 and are signed on its behalf by:

Cheng Wai Sun, Edward
DIRECTOR

Au Hing Lun, Dennis
DIRECTOR

The notes on pages 50 to 116 are an integral part of these financial statements.

Balance Sheet

At 31 December 2007

	Note	2007 HK$'M	2006 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	18	**3,804.1**	1,124.9
Current assets			
Other receivables and prepayments		**19.7**	0.3
Bank balances and cash		**0.1**	0.1
		19.8	0.4
Current liabilities			
Other payables		**2.2**	1.0
Amounts due to subsidiaries	18	**17.2**	—
		19.4	1.0
Net current assets/(liabilities)		**0.4**	(0.6)
NET ASSETS		**3,804.5**	1,124.3
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	33	**493.7**	263.3
Reserves	35(b)	**3,310.8**	861.0
TOTAL EQUITY		**3,804.5**	1,124.3

Cheng Wai Sun, Edward
DIRECTOR

Au Hing Lun, Dennis
DIRECTOR

The notes on pages 50 to 116 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Capital and reserves attributable to equity holders of the Company											
	Share capital 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$'M	Total equity HK$'M
At 1 January 2006	263.1	441.0	2.7	144.1	0.5	12.1	(10.3)	609.5	393.9	1,856.6	127.5	1,984.1
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	–	–	–	15.3	–	–	15.3	–	15.3
Surplus arising on revaluation of strategic investments	–	–	–	156.8	–	–	–	–	–	156.8	–	156.8
Decrease in hedging reserve	–	–	(2.5)	–	–	–	–	–	–	(2.5)	–	(2.5)
Share of reserves by minority shareholders	–	–	(0.1)	–	–	–	–	–	–	(0.1)	0.1	–
Share of reserves of associates	–	–	–	–	–	–	(0.1)	–	–	(0.1)	–	(0.1)
Net income recognised directly in equity	–	–	(2.6)	156.8	–	–	15.2	–	–	169.4	0.1	169.5
Profit for the year	–	–	–	–	–	–	–	–	738.3	738.3	87.6	825.9
Total recognised income for the year	–	–	(2.6)	156.8	–	–	15.2	–	738.3	907.7	87.7	995.4
Value of employee services relating to grants of share options and incentive shares	–	–	–	–	3.2	–	–	–	–	3.2	–	3.2
Incentive shares exercised	–	–	–	–	(0.6)	–	–	–	–	(0.6)	–	(0.6)
Shares issued under share incentive scheme	0.2	0.9	–	–	–	–	–	–	–	1.1	–	1.1
2005 final dividend paid	–	–	–	–	–	–	–	(28.9)	–	(28.9)	–	(28.9)
2006 interim dividend paid	–	–	–	–	–	–	–	(26.3)	–	(26.3)	–	(26.3)
At 31 December 2006	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

The notes on pages 50 to 116 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2007

	Capital and reserves attributable to equity holders of the Company											
	Share capital 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$'M	Total equity HK$'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	–	–	–	–	–	–	9.1	–	–	9.1	–	9.1
Net surplus arising on revaluation of strategic investments	–	–	–	92.1	–	–	–	–	–	92.1	(4.1)	88.0
Decrease in hedging reserve	–	–	(27.5)	–	–	–	–	–	–	(27.5)	–	(27.5)
Share of post-acquisition reserves on interests previously held as strategic investments (Note 36)	–	–	–	–	–	–	–	–	425.0	425.0	–	425.0
Share of reserves of associates	–	–	–	–	–	–	5.2	–	–	5.2	–	5.2
Net income recognised directly in equity	–	–	(27.5)	92.1	–	–	14.3	–	425.0	503.9	(4.1)	499.8
Profit for the year	–	–	–	–	–	–	–	–	1,735.9	1,735.9	104.1	1,840.0
Total recognised income for the year	–	–	(27.5)	92.1	–	–	14.3	–	2,160.9	2,239.8	100.0	2,339.8
Acquisition of subsidiaries	230.0	2,405.1	–	(409.3)	–	–	–	–	–	2,225.8	1,185.1	3,410.9
Effect of partial disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	(19.6)	(19.6)
Value of employee services relating to grants of share options and incentive shares	–	–	–	–	4.2	–	–	–	–	4.2	–	4.2
Incentive shares exercised	–	–	–	–	(1.6)	–	–	–	–	(1.6)	–	(1.6)
Shares issued under share incentive scheme	0.4	2.0	–	–	–	–	–	–	–	2.4	–	2.4
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(87.5)	(87.5)
2006 final dividend paid	–	–	–	–	–	–	–	(34.2)	–	(34.2)	–	(34.2)
2007 interim dividend paid	–	–	–	–	–	–	–	(49.4)	–	(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

The notes on pages 50 to 116 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'M	2006 HK$'M
Cash flows from operating activities			
Profit from operations		**2,042.0**	1,016.0
Adjustments for:			
Change in fair value of investment properties		**(458.0)**	(336.3)
Gain on disposal of an investment property		**—**	(18.2)
Gain on partial disposal of subsidiaries		**(10.3)**	—
Loss/(gain) on disposal of other properties, plant and equipment		**0.3**	(0.7)
Discount on acquisition		**(1,168.6)**	—
Depreciation and amortisation			
— trademark		**0.1**	0.2
— leasehold land and land use rights		**23.7**	4.1
— other properties, plant and equipment		**35.3**	26.9
Dividend income from strategic investments		**(16.5)**	(12.2)
Interest income received on loans to associates		**(9.0)**	(7.1)
Impairment losses on leasehold land and land use right		**0.9**	—
Impairment losses on other properties, plant and equipment		**30.6**	—
Impairment losses recognised in respect of strategic investments		**—**	0.7
Realised gain strategic investment		**(16.2)**	—
Fair value loss on derivative financial instruments		**42.5**	—
Share-based payments		**2.6**	2.6
Operating cash flows before movements in working capital		**499.4**	676.0
(Increase)/decrease in inventories		**(29.2)**	7.2
Increase in properties for sale		**240.9**	510.9
(Increase)/decrease in trade and other receivables, deposits and prepayments		**(96.7)**	299.5
(Increase)/decrease in sales proceeds held in stakeholders' accounts		**(27.6)**	47.8
Decrease in financial assets at fair value through profit or loss		**27.5**	—
Increase in amounts due from associates		**(7.3)**	(9.3)
Increase/(decrease) in trade and other payables and accruals		**42.7**	(62.2)
Decrease in properties pre-sale deposits received		**—**	(902.5)
Increase in amount due to an associate		**5.2**	0.1
Net cash generated from operations		**654.9**	567.5
Interest income received		**48.2**	21.6
Interest paid on bank and other borrowings		**(126.8)**	(65.8)
Hong Kong profits tax paid		**(3.2)**	(44.6)
Tax (paid)/refunded in other jurisdictions		**(0.9)**	0.1
Net cash generated from operating activities		**572.2**	478.8

Consolidated Cash Flow Statement

For the year ended 31 December 2007

	Note	2007 HK$'M	2006 HK$'M
Cash flows from investing activities			
Purchase of leasehold land and land use rights		**(1,938.3)**	—
Purchase of investment properties		**(6.0)**	(1.2)
Additions of properties under development		**(347.9)**	(16.4)
Purchase of other properties, plant and equipment		**(32.2)**	(33.0)
Purchase of strategic investments		**—**	(65.3)
Purchase of trademark		**—**	(0.1)
Deposits paid for acquisition of investment properties, companies and land		**(244.4)**	(85.8)
Loans to joint venture partners		**(107.6)**	—
Net repayments of amounts due from associates		**76.5**	75.1
Investments in associates		**—**	(0.4)
Proceeds from disposal of other properties, plant and equipment		**2.0**	0.8
Net proceeds from disposal of an investment property		**—**	104.2
Net proceeds from disposal of a strategic investment		**0.6**	—
Net cash inflow on acquisition of subsidiaries	36	**637.1**	—
Cash outflow on partial disposal of subsidiaries		**(9.3)**	—
Amounts repaid by investee companies		**57.0**	—
Net cash used in investing activities		**(1,912.5)**	(22.1)
Cash flows from financing activities			
Issue of shares		**2.4**	1.1
Bank and other loans raised		**5,681.2**	925.9
Repayments of bank and other loans		**(2,748.6)**	(1,069.3)
Decrease in short term borrowings		**(6.2)**	(2.2)
Dividends paid by the Company		**(83.6)**	(55.2)
Dividends paid to minority shareholders		**(87.5)**	—
Placement of pledged deposits		**(21.0)**	—
Net cash generated from/(used in) financing activities		**2,736.7**	(199.7)
Effect of foreign exchange rate changes		**1.6**	5.9
Increase in cash and cash equivalents		**1,398.0**	262.9
Cash and cash equivalents at the beginning of the year		**400.6**	137.7
Cash and cash equivalents at the end of the year	27	**1,798.6**	400.6

The notes on pages 50 to 116 are an integral part of these financial statements.

1. GENERAL

USI Holdings Limited (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 address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

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

These consolidated financial statements are presented in millions of Hong Kong dollars (HK$'M), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 15 April 2008.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets ("strategic investments"), financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss. The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting principles. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) Standards, amendment and interpretations that are effective in 2007

HKFRS 7, "Financial instruments: Disclosures", and the complementary amendment to HKAS 1, "Presentation of financial statements — Capital disclosures", introduces new disclosures relating to various financial risk exposures and management thereof, the level of an entity's capital and how to manage capital.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods, but the Group has not early adopted them:

		Effective from
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 11	HKFRS 2 — Group and treasury share transactions	1 January 2008
HK(IFRIC) — Int 12	Service concession arrangements	1 January 2008
HK(IFRIC) — Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) — Int 14	The limit on a defined benefit asset, minimum funding requirements and their interaction	1 January 2008

The directors are in the process in reviewing the impact to the Group's financial statements in respect of the adoption of these standards, amendments and interpretations to existing standards.

(b) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries and the proportionate share of its jointly controlled entities made up to 31 December.

(i) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(i) Subsidiaries (Continued)

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

(ii) Transactions and minority interests

The Group applies a policy of treating transactions with minority interests as transactions with parties external to the Group. Disposals to minority interests result in gains and losses for the Group that are recorded in the consolidated income statement. Purchases from minority interests result in goodwill, being the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary.

(iii) Jointly controlled entities

Jointly controlled entities are joint venture in which the group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity.

The Group's interests in jointly controlled entities are accounted for using proportionate consolidation. The Group consolidates its share of the jointly controlled entities' individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's consolidated financial statements.

Transactions, balances and unrealised gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group's interests in the jointly controlled entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities have been changed where necessary to ensure consistency with the policies adopted by the Group.

(iv) Associates

Associates are entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environment.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK dollars"), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale financial assets are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets such as equities held at fair value through profit and loss are recognised in profit and loss as part of the fair value gain and loss. Translation difference on non-monetary financial assets such as equities classified as available-for-sale financial assets are included in the investment revaluation reserve in equity.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other properties, plant and equipment

Other properties, plant and equipment (other than construction in progress) are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Construction in progress is stated at cost. Cost includes all development expenditure and other direct costs attributable to such projects. It is not depreciated until completion of construction. Cost on completed construction works is transferred to the appropriate categories of other properties, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Freehold land with unlimited useful life is not depreciated. Depreciation of other properties, plant and equipment, other than construction in progress is calculated using the straight-line method to allocate the cost to their residual values over their estimated useful lives at the following annual rates:

Buildings	2% – 4%
Furniture, fixtures and equipment	10% – 33 1/3%
Motor vehicles	20% – 30%
Plant and machinery	7 1/2% – 35%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

The gain or loss arising from the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

(f) Leasehold land and land use rights

Leasehold interests in land and land use rights for own use are classified as "leasehold land and land use rights" and amortised over the period of the lease on a straight-line basis. Prepaid land lease is included in properties under development, of which the amortisation of prepaid land lease is capitalised as part of the building costs during the development period but charged to the income statement for completed properties.

(g) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the consolidated group, is classified as investment property. Investment property comprises land held under operating leases and buildings held under finance leases. Land held under operating leases are classified and accounted for as investment property when the rest of the definition of investment property is met.

Investment properties are carried at fair value and are valued at least annually by independent valuers. The valuations are performed on an open market basis, related to individual properties, and separate values are not attributed to land and buildings. Investment property that is being redeveloped for continuing use as investment property continues to be measured at fair value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties (Continued)

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are recognised as a liability, including finance lease liabilities in respect of land classified as investment property; others, including contingent rent payments, are not recognised in the financial statements.

Subsequent expenditure is charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Changes in fair values are recognised in the income statement.

If any investment property becomes owner-occupied, it is reclassified as property, plant and equipment, and its fair value at the date of reclassification becomes its cost for accounting purpose. Property that is being constructed or developed for future use as investment property is classified as construction in progress or properties under development and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

(h) Properties under development

Properties under development are stated at cost less any identified impairment loss. Cost includes the amortised cost of land, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to the property development.

(i) Impairment of investments in subsidiaries, associates, jointly controlled entities and non-financial assets

Assets that have an indefinite useful life or have not yet been available for use are not subject to amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Financial assets

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets.

(iii) Available-for-sale financial assets (strategic investments)

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. Available-for-sale financial assets are classified as strategic investments under the Group's consolidated balance sheet.

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale financial assets are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in equity.

When securities classified as available-for-sale financial assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other gains/losses, net. Dividends on available-for-sale equity instruments are recognised in the income statement as part of income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

(iii) Available-for-sale financial assets (strategic investments) (Continued)

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale financial assets, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

(k) Derivative financial instruments and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

(1) hedges of the fair value of recognised liabilities (fair value hedge);

(2) hedges of a particular risk associated with a recognised liability or a highly probable forecast transactions (cash flow hedge); or

(3) hedges of net investments in a foreign operations (net investment hedge).

The Group documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 26. Movements on the hedging reserve are shown the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months. Trading derivatives are classified as current assets or liabilities.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Derivative financial instruments and hedging activities (Continued)

(ii) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are taken to the income statement in the periods when the hedged item will affect profit or loss (for instance when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(iii) Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity; the gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Gains and losses accumulated in equity are included in the income statement when the foreign operation is disposed of.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(m) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement. When a trade receivable is uncollectible, it is written off against the allowance account for receivables. Subsequent recoveries of amounts previously written off are credited in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(o) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(p) Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of these assets. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Capitalisation of borrowing costs ceases when the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised as expenses in the year in which they are incurred.

(s) Current and deferred taxation

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries, jointly controlled entities and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and deferred taxation (Continued)

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not be reversed in the foreseeable future.

(t) Retirement benefits cost

Payments to the Group's defined contribution retirement schemes, state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as expenses as they fall due. The Group has no legal or constructive obligations to pay further contributions for post-retirement benefits beyond its fixed contributions.

For the Group's defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuation being carried out at each balance sheet date. Actuarial gains and losses which exceed 10 per cent of the greater of the present value of the Group's pension obligations and the fair value of plan assets are amortised over the expected average remaining working lives of the participating employees. Past service cost is recognised immediately to the extent that the benefits are already vested, and otherwise is amortised on a straight line basis over the average period until the amended benefits become vested.

The amount recognised in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognised actuarial gains and losses and unrecognised past service cost, and as reduced by the fair value of plan assets.

(u) Share-based payment

The Group operates two equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options or incentive shares is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options or incentive shares granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options or incentive shares that are expected to vest. At each balance sheet date, the Group revises its estimates of the number of options or incentive shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options or incentive shares are exercised.

(v) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) Revenue recognition

Revenue represents sales of garment, sales of properties, rental and property management income and income from investing activities. Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods are recognised when the goods are delivered and title has been passed.

(ii) Income from properties developed for sale is recognised when the significant risks and rewards of the properties are transferred to the buyers and the collectability of related receivables is reasonably assured. Payments received from purchasers prior to this stage are recorded as deposits received, which are included in current liabilities.

(iii) Property management income is recognised when the services are rendered.

(iv) Rental income on operating leases is recognised on a straight-line basis over the period of the leases.

(v) Interest income is recognised on a time-proportion basis using the effective interest method.

(vi) Income from investments is recognised when the Group's right to receive payment has been established.

(x) Operating leases (as the leasee to operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed in the income statement on a straight-line basis over the period of the lease.

(y) Leases by lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When assets are leased out under an operating lease, the asset is included in the balance sheet based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(z) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's equity holders and/or directors.

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including currency risk, fair value and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi, Singapore dollars and UK pound.

Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group manages its foreign exchange risk by using external forward currency contracts where appropriate.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31 December 2007, if HK dollars had weakened/strengthened by 5% against Renminbi with all other variables held constant, the post-tax profit for the year would have been HK$2.1 M (2006: Nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated bank balances.

At 31 December 2007, if HK dollars had weakened/strengthened by 5% against Renminbi with all other variables held constant, equity would have been HK$9.4 M (2006: HK$6.8 M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated operations.

At 31 December 2007, if HK dollars had weakened/strengthened by 5% against Singapore dollars with all other variables held constant, equity would have been HK$14.6 M (2006: Nil) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Singapore dollar-denominated available-for-sale financial assets.

At 31 December 2007, if HK dollars had weakened/strengthened by 5% against the UK pound with all other variables held constant, equity would have been HK$1.5 M (2006: HK$1.4 M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of UK pound-denominated operations.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk

As the Group has no significant interest-bearing assets (other than bank deposits), the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group is exposed to changes in interest rates due to its bank borrowings which are disclosed in Notes 29 and 30 below. The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. Interest rate swap contract is the hedging instrument most commonly used by the Group to manage the interest rate exposure.

If interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK$10.8 M (2006: HK$1.7 M) lower/higher and capitalised interest on "Properties Under Development" would have been HK$6.2 M (2006: HK$1.5 M) higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings and gain/loss relating to the portion of changes in the fair value of interest rate swap contracts not qualify for hedge accounting.

Equity would have been HK$15.0 M (2006: Nil) lower/higher mainly as a result of gain/loss relating to the effective portion of changes in the fair value of interest rate swap contracts not quality for hedge accounting.

(iii) Price risk

The Group is exposed to equity securities price risk because certain financial assets of the Group are classified in the consolidated balance sheet as financial assets at fair value through profit or loss or available-for-sale financial assets. The Group is not exposed to commodity price risk.

At 31 December 2007, if market value of the Group's financial assets at fair value through profit or loss had increased/decreased by 10%, with all other variable held constant, profit for the year would have been HK$1.2 M (2006: Nil) higher/lower.

At 31 December 2007, if market value of the Group's available-for-sale financial assets had increased/ decreased by 10%, with all other variables held constant, equity would have been HK$29.7 M (2006: HK$54.8 M) higher/lower.

(iv) Credit risk

There is no significant credit risk in relation to the Group's cash and cash equivalents as cash deposits are placed with reputable banks and financial institutions with good credit ratings.

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products are made to customers with an appropriate credit history and letters of credit are used as appropriate.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK$'M	**Between 1 and 2 years** HK$'M	**Between 2 and 5 years** HK$'M	**Over 5 years** HK$'M
At 31 December 2007				
Bank borrowings	**986.9**	**643.9**	**2,192.6**	**645.9**
Derivative financial instruments	**41.2**	**—**	**—**	**—**
Trade and other payables and accruals	**567.8**	**55.0**	**—**	**—**
Amount due to an associate	**10.1**	**—**	**—**	**—**
Other long-term loans	**—**	**8.3**	**—**	**35.3**
Total	**1,606.0**	**707.2**	**2,192.6**	**681.2**
At 31 December 2006				
Bank borrowings	93.9	201.8	560.3	388.2
Derivative financial instruments	0.2	—	—	—
Trade and other payables and accruals	322.3	3.5	0.9	—
Amount due to an associate	4.9	—	—	—
Other long-term loans	—	8.6	58.1	152.8
Total	421.3	213.9	619.3	541.0

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net borrowings divided by total capital. Net borrowings are calculated as total borrowings (including current and non-current bank borrowings and other long-term loans as shown in the consolidated balance sheet) less bank balances and cash. Total capital is calculated as "equity", as shown in the consolidated balance sheet.

The gearing ratios at 31 December 2007 and 2006 were as follows:

	2007 **HK$'M**	2006 HK$'M
Total borrowings	**4,168.0**	1,251.2
Less: Bank balances and cash	**(1,806.4)**	(403.6)
Net borrowings	**2,361.6**	847.6
Total equity	**8,493.0**	2,928.0
Gearing ratio	**27.8%**	28.9%

(c) Fair value estimation

The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest-rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal values less impairment provision (if applicable) of trade receivables and payables are a reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) Estimated fair value of investment properties

Savills Valuation and Professional Services Limited ("Savills"), Jones Lang LaSalle Limited ("Jones Lang LaSalle") and B.I. Appraisals Limited ("B.I. Appraisals") were engaged to carry out independent valuations of the Group's investment property portfolio as at 31 December 2007. These valuations were carried out in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors which defines market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgably, prudently and without compulsion".

Savills, Jones Lang LaSalle and B.I. Appraisals have derived the valuations of the Group's investment property portfolio by capitalising the rental income derived from existing tenancies with due provision for reversionary income potential and determined using discounted cash flow valuation technique. The assumptions are based on market conditions existing at the balance sheet date.

Management has reviewed the valuations of Savills, Jones Lang LaSalle and B.I. Appraisals and compared them with its own assumptions, with reference to comparable sales transaction data where such information is available, and has concluded that the valuations of the Group's investment property portfolio are reasonable.

(ii) Fair value of available-for-sale financial assets

If information on current or recent prices of available-for-sale financial assets is not available, the fair values of available-for-sale financial assets are determined using valuation techniques (including discounted cash flow model or price/earnings multiple model). The Group uses assumptions that are mainly based on market conditions existing at each balance date.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(b) Critical judgements in applying the Group's accounting policies

(i) Distinction between investment properties and owner-occupied properties

The Group determines whether a property qualifies as investment property. In making its judgement, the Group considers whether the property generates cash flows largely independently of the other assets held by the Group. Owner-occupied properties generate cash flows that are attributable not only to property but also to other assets used in the production or supply process.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions can be sold separately (or leased out separately under a finance lease), the Group's financial statements account for the portions separately. If the portions cannot be sold separately, the property is accounted for as investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is applied in determining whether ancillary services are so significant that a property does not qualify as investment property. The Group considers each property separately in making its judgement.

(ii) Estimated impairment of non-current assets

The Group tests annually whether tangible and intangible assets not subject to amortisation have suffered any impairment. For the purposes of impairment tests, the recoverable amounts of cash-generating units are determined based on the higher of the asset's fair value less cost to sell and its value-in-use require the use of estimates.

According to the above, the Group carried out impairment review assessment on apparel operations and made impairment charge to income statement during the year. As the impairment charge is not significant to the Group's financial statements, any deviation to the estimates used in the impairment review would not have significant impact to the Group's financial statements.

(iii) Income Tax

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination may be uncertain. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax provisions in the financial period in which such determination is made.

As required by HKFRS, provision for deferred tax is made on the revaluation of investment properties on the basis and assumption that their values would be recovered through the receipt of rental income over the remaining life of the lease using the income tax rate. Such deferred tax would only reverse towards the end of the lease period which extends for decades of years or if the valuations decline. The Group has no current intention to dispose of its significant investment properties, but if the values of the investment properties were to be recovered through disposal, no tax would be payable, as there is no capital gains tax in Hong Kong where the properties are located and the related provision for deferred tax would be released.

Recognition of deferred tax asset, which principally relates to tax losses of certain subsidiaries, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilised. The outcome of their actual utilisation may be different.

5. REVENUE/TURNOVER

Revenue/Turnover represents the net amounts received and receivable from third parties in connection with the following activities:

	2007 HK$'M	2006 HK$'M
Sale of properties	**769.2**	1,358.7
Sale of garment and branded products	**1,189.6**	1,202.1
Rental and property management income	**234.4**	119.3
Income from investing activities (Note)	**16.5**	19.3
	2,209.7	2,699.4

Note:

Income from investing activities comprises:

	2007	2006
Dividend income from strategic investments	**16.5**	12.2
Interest income from loans to associates	**—**	7.1
	16.5	19.3

6. 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.

Principal activities are as follows:

Property development	—	Development of properties for sale
Property investment and management	—	Investment in rental properties and project management
Hospitality investment and management	—	Investment in hospitality and provision of hospitality management services to service apartment and hotel owners
Garment manufacturing and trading	—	Manufacture of garments for export to overseas markets, and source apparel, as buying and marketing agents
Branded products distribution	—	Retailing, wholesaling and licensing of branded apparel
Investing activities	—	Investment in securities, the underlying businesses of which are property investment and development and others

6. SEGMENT INFORMATION (Continued)

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

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 year's segment figures were reclassified from the segment of "Property Investment and Management" to "Hospitality Investment and Management".

	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
For the year ended 31 December 2007								
REVENUE								
External sales	769.2	137.3	97.1	919.3	270.3	16.5	–	2,209.7
Inter-segment sales	–	4.0	5.5	–	–	–	(9.5)	–
Total	769.2	141.3	102.6	919.3	270.3	16.5	(9.5)	2,209.7
RESULTS								
Segment results before change in fair value of investment properties	499.8	95.3	57.1	(151.7)	0.6	(18.4)	–	482.7
Change in fair value of investment properties	–	319.0	139.0	–	–	–	–	458.0
Segment results	499.8	414.3	196.1	(151.7)	0.6	(18.4)	–	940.7
Discount on acquisition								1,168.6
Unallocated corporate expenses								(67.3)
Profit from operations								2,042.0
Finance charges								(44.3)
Finance income								31.7
Share of results of associates	7.1	–	4.4	–	–	(9.0)	–	2.5
Profit before taxation								2,031.9
Taxation								(191.9)
Profit for the year								1,840.0
Other segment items included in the income statement are as follows:								
Depreciation and amortisation	22.9	3.9	0.1	22.8	7.3	2.1	–	59.1
Loss on disposal of other properties, plant and equipment	–	–	–	0.3	–	–	–	0.3
(Write back of)/provision for trade receivables	(27.7)	–	–	3.8	–	–	–	(23.9)
Provision for impairment of leasehold land and land use right	–	–	–	0.9	–	–	–	0.9
Provision for impairment of other properties, plant and equipment	–	–	–	30.6	–	–	–	30.6

6. SEGMENT INFORMATION (Continued)

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

	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
For the year ended 31 December 2006								
REVENUE								
External sales	1,358.7	58.3	61.0	946.6	255.5	19.3	–	2,699.4
Inter-segment sales	–	6.6	3.2	–	–	–	(9.8)	–
Total	1,358.7	64.9	64.2	946.6	255.5	19.3	(9.8)	2,699.4
RESULTS								
Segment results before change in fair value of investment properties	651.2	25.0	29.4	(28.3)	(1.8)	50.2	–	725.7
Change in fair value of investment properties	–	96.5	239.8	–	–	–	–	336.3
Segment results	651.2	121.5	269.2	(28.3)	(1.8)	50.2	–	1,062.0
Unallocated corporate expenses								(46.0)
Profit from operations								1,016.0
Finance charges								(41.7)
Finance income								9.4
Share of results of associates	15.8	–	16.8	–	–	(6.8)	–	25.8
Profit before taxation								1,009.5
Taxation								(183.6)
Profit for the year								825.9
Other segment items included in the income statement are as follows:								
Depreciation and amortisation	3.1	8.0	0.2	11.3	7.0	1.6	–	31.2
Gain on disposal of other properties, plant and equipment	–	(0.6)	–	(0.1)	–	–	–	(0.7)
Provision for/(write back of) trade receivables	33.1	–	–	1.8	(0.5)	–	–	34.4
Provision for impairment of other properties, plant and equipment	–	–	–	1.0	–	–	–	1.0

Inter-segment transfers or transactions are entered into under the normal commercial terms and conditions mutually agreed among group companies.

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6. SEGMENT INFORMATION (Continued)

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

	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	Consolidated HK$'M
The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:							
ASSETS							
Segment assets	**3,083.6**	**7,194.9**	**1,434.5**	**377.7**	**178.5**	**545.0**	**12,814.2**
Interests in associates	**634.7**	**–**	**38.2**	**–**	**–**	**(20.8)**	**652.1**
Unallocated assets							**1,369.4**
Consolidated total assets							**14,835.7**
LIABILITIES							
Segment liabilities	**85.7**	**318.1**	**35.5**	**175.0**	**60.1**	**20.4**	**694.8**
Unallocated liabilities							**5,647.9**
Consolidated total liabilities							**6,342.7**
Capital expenditure	**2,013.7**	**5,519.0**	**5.0**	**24.3**	**3.0**	**2.3**	**7,567.3**
The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:							
ASSETS							
Segment assets	1,509.3	630.2	1,060.4	365.1	185.9	793.4	4,544.3
Interests in associates	144.0	–	31.7	–	–	(11.8)	163.9
Unallocated assets							75.4
Consolidated total assets							4,783.6
LIABILITIES							
Segment liabilities	76.9	15.0	26.0	104.5	63.5	28.1	314.0
Unallocated liabilities							1,541.6
Consolidated total liabilities							1,855.6
Capital expenditure	7.4	34.4	1.3	16.2	11.5	3.5	74.3

6. SEGMENT INFORMATION (Continued)

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

Segment assets consist primarily of leasehold land and land use rights, investment properties, properties under development, other properties, plant and equipment, strategic investments, interests in associates, inventories, trade and other receivables, deposits and prepayments, sales proceeds held in stakeholders' accounts, financial assets at fair value through profit or loss, properties for sale and bank balances and cash. Unallocated assets comprise mainly bank balances and cash and properties, plant and equipment held for corporate uses, derivative financial instruments, amounts due from associates, tax recoverable and deferred tax assets.

Segment liabilities comprise operating liabilities. Unallocated liabilities include tax payable, borrowings, deferred tax liabilities, derivative financial instruments and corporate liabilities.

Capital expenditure comprises additions to leasehold land and land use rights, investment properties, properties under development, and other properties, plant and equipment, including additions resulting from acquisitions through business combinations.

(b) Secondary reporting format — geographical segments

The Group's operations are principally located in Hong Kong, the People's Republic of China other than Hong Kong (the "PRC") and the United Kingdom.

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 Year ended 31 December	
	2007 HK$'M	2006 HK$'M
Hong Kong	**1,015.7**	1,449.0
North America	**611.6**	669.0
United Kingdom	**315.2**	390.4
Others	**267.2**	191.0
	2,209.7	2,699.4

6. SEGMENT INFORMATION (Continued)

(b) Secondary reporting format — geographical segments (Continued)

The following is an analysis of the Group's total assets and capital expenditure by geographical areas in which the assets are located.

	Total assets At 31 December		Capital expenditure Year ended 31 December	
	2007 HK$'M	2006 HK$'M	**2007 HK$'M**	2006 HK$'M
Hong Kong	**12,824.2**	4,072.3	**7,544.2**	50.1
The PRC	**637.4**	244.0	**13.7**	9.0
United Kingdom	**212.9**	223.3	**3.0**	11.5
North America	**50.6**	26.0	**—**	—
Others	**450.7**	35.0	**6.4**	3.7
	14,175.8	4,600.6	**7,567.3**	74.3
Interests in associates	**652.1**	163.9	**—**	—
Unallocated assets	**7.8**	19.1	**—**	—
	14,835.7	4,783.6	**7,567.3**	74.3

7. OTHER GAINS/LOSSES, NET

	2007 HK$'M	2006 HK$'M
Compensation income on termination of royalty licence for branded product distribution	**20.2**	—
Exchange gains, net	**13.1**	—
Forfeiture of sale deposits	**6.8**	3.4
Net fair value gain on financial assets at fair value through profit or loss	**4.8**	—
Net fair value loss on derivative financial instruments	**(42.5)**	—
Gain on disposal of investment properties	**—**	18.2
Gain on partial disposal of subsidiaries	**10.3**	—
Interest income on loans to associates	**9.0**	—
Realised gain on strategic investments	**16.2**	—
Sale of scrap materials	**1.0**	1.5
Others	**15.0**	10.1
	53.9	33.2

8. PROFIT FROM OPERATIONS

	2007 HK$'M	2006 HK$'M
Profit from operations has been arriving at after charging/(crediting):		
Staff costs including directors' remuneration (Note 9)	**340.3**	239.7
Retirement benefits costs, net of negligible forfeited contributions	**24.3**	5.6
Total staff costs (Note)	**364.6**	245.3
Share-based compensation expenses (Note)	**4.3**	3.2
Auditor's remuneration		
— current year	**4.4**	3.2
— underprovision in prior year	**0.6**	0.2
Cost of inventories included in cost of sales	**877.5**	874.7
Cost of sales of properties included in cost of sales	**248.7**	613.6
Depreciation and amortisation		
— trademark (Note 21)	**0.1**	0.2
— leasehold land and land use rights (Note 14)	**23.7**	4.1
— other properties, plant and equipment (Note 17)	**35.3**	26.9
Loss/(gain) on disposal of other properties, plant and equipment	**0.3**	(0.7)
Direct operating expenses arising from investment properties generating rental income	**26.9**	16.7
(Write back of)/provision for trade receivables	**(23.9)**	34.4
Provision for diminution in value of inventories	**5.5**	—
Provision for impairment of leasehold land and land use right (Note 14)	**0.9**	—
Provision for impairment of other properties, plant and equipment (Note 17)	**30.6**	1.0
Selling and marketing expenses for branded product distribution	**83.7**	75.7
Other expenses	**165.0**	154.4
Total cost of sales, selling and distribution costs and administrative expenses	**1,848.2**	2,052.9

Note:

Share-based compensation expenses recognised in the consolidated income statement in respect of share options and incentive shares granted to certain directors and employees are not included in the total staff costs above.

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

	2007 HK$'M	2006 HK$'M
Directors' fees	**1.7**	0.8
Other directors' emoluments (Note)		
— Salaries and allowances	**12.6**	11.3
— Discretionary bonus	**3.7**	2.5
— Retirement benefits costs-defined contribution plan	**0.6**	0.5
	18.6	15.1

Note:

Details of the remuneration of directors for the year ended 31 December 2007 are as follows:

Name	Directors' fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit costs-defined contribution plan HK$'000	Total HK$'000
Executive directors					
CHENG Wai Chee, Christopher	**925**	**2,120**	**—**	**106**	**3,151**
CHENG Wai Sun, Edward	**45**	**5,508**	**1,875**	**254**	**7,682**
CHENG Man Piu, Francis	**25**	**—**	**—**	**—**	**25**
CHOW Wai Wai, John	**30**	**1,163**	**639**	**116**	**1,948**
NG Tak Wai, Frederick	**25**	**1,480**	**300**	**12**	**1,817**
AU Hing Lun, Dennis	**35**	**2,352**	**900**	**109**	**3,396**
Non-executive directors					
CHENG Wai Keung (resigned on 24 August 2007)	**16**	**—**	**—**	**—**	**16**
KWOK Ping Luen, Raymond	**25**	**—**	**—**	**—**	**25**
WONG Yick Kam, Michael	**25**	**—**	**—**	**—**	**25**
HONG Pak Cheung, William	**25**	**—**	**—**	**—**	**25**
LOH Soo Eng	**9**	**—**	**—**	**—**	**9**
Independent non-executive directors					
Simon MURRAY	**175**	**—**	**—**	**—**	**175**
FANG Hung, Kenneth	**175**	**—**	**—**	**—**	**175**
YEUNG Kit Shing, Jackson	**175**	**—**	**—**	**—**	**175**
Total	**1,710**	**12,623**	**3,714**	**597**	**18,644**

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(a) Directors' remuneration (Continued)

Note: (Continued)

Details of the remuneration of directors for the year ended 31 December 2006 are as follows:

Name	Directors' fees	Salaries and allowances	Discretionary bonus	Retirement benefit costs-defined contribution plan	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors					
CHENG Wai Chee, Christopher	25	2,020	—	101	2,146
CHENG Wai Sun, Edward	25	5,296	1,765	244	7,330
CHENG Man Piu, Francis	25	—	—	—	25
NG Tak Wai, Frederick	25	1,766	133	79	2,003
AU Hing Lun, Dennis	25	2,251	600	104	2,980
Non-executive directors					
CHENG Wai Keung	25	—	—	—	25
KWOK Ping Luen, Raymond	25	—	—	—	25
WONG Yick Kam, Michael	25	—	—	—	25
HONG Pak Cheung, William	25	—	—	—	25
Independent non-executive directors					
Simon MURRAY	175	—	—	—	175
FANG Hung, Kenneth	175	—	—	—	175
YEUNG Kit Shing, Jackson	175	—	—	—	175
Total	750	11,333	2,498	528	15,109

Share options and incentive shares have also been granted and awarded to certain directors. The fair values of these share options and incentive shares recognised in the consolidated income statement for the year are set out in Note 34.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2006: Nil). None of the Directors has waived any emoluments during the year (2006: Nil).

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS (Continued)

(b) Five highest paid individuals

The aggregate emoluments of the five highest paid individuals of the Group in 2007 included three (2006: four) executive directors of the Company whose emoluments are included above. The emoluments of the remaining two (2006: one) highest paid individual are as follows:

	2007 HK$'M	2006 HK$'M
Salaries and allowances	**3.2**	1.9
Discretionary bonus	**1.7**	0.4
Retirement benefits costs-defined contribution plan	**0.1**	0.1
	5.0	2.4

The emoluments fell within the following bands:

	Number of individuals	
	2007	2006
Emoluments bands		
HK$2,000,001 — HK$2,500,000	**1**	1
HK$2,500,001 — HK$3,000,000	**1**	—

10. NET FINANCE CHARGES

	2007 HK$'M	2006 HK$'M
Finance charges		
Interest expenses on:		
— bank and other borrowings wholly repayable within five years	**82.8**	43.4
— bank and other borrowings not wholly repayable within five years	**44.0**	21.1
Total borrowing costs	**126.8**	64.5
Less: Interest capitalised in properties under development (Note)	**(82.5)**	(22.8)
	44.3	41.7
Finance income — bank interest income	**(31.7)**	(9.4)
Net finance charges	**12.6**	32.3

Note:

The borrowing costs have been capitalised at rates ranging from 3.00% to 7.83% per annum (2006: from 4.18% to 5.25% per annum).

11. TAXATION

Hong Kong profits tax has been calculated at 17.5% (2006: 17.5%) on the estimated assessable profits for the year. Taxation on overseas profits has been calculated on the estimated assessable profits for the year 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:

	2007 **HK$'M**	2006 HK$'M
Current taxation		
— Hong Kong profits tax	**89.2**	128.4
— Over-provision in prior years	**(1.4)**	—
— Taxation in other jurisdictions	**4.2**	0.1
	92.0	128.5
Deferred taxation (Note 32)	**99.9**	55.1
	191.9	183.6

The tax on the Group's profit before taxation differs from the theoretical amount that would arise using the profits tax rate of Hong Kong, where majority of the Group's operations were carried out, as follows:

	2007 **HK$'M**	2006 HK$'M
Profit before taxation	**2,031.9**	1,009.5
Tax calculated at Hong Kong profits tax rate of 17.5% (2006: 17.5%)	**355.6**	176.7
Expenses not deductible for tax purpose	**14.5**	4.2
Income not subject tax	**(224.9)**	(22.7)
Net increase in unrecognised tax losses and other temporary differences	**30.5**	24.4
Effect of different tax rates of subsidiaries operating in other jurisdictions	**0.5**	(0.6)
Under-provision in prior years	**16.1**	1.4
Tax effect of share of results of associates	**(0.4)**	(4.5)
Others	**—**	4.7
Taxation for the year	**191.9**	183.6

China enterprise income tax is provided on the profits of the Group's subsidiaries, associates and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises (the "Old China Tax Law"). The principal income tax rate ranges from 18% to 33%.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises will be subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The directors consider the impact of the change to the Group's financial statements is insignificant.

12. DIVIDENDS

	2007 HK$'M	2006 HK$'M
Interim dividend paid on 18 October 2007 of HK5.0 cents (2006: HK5.0 cents) per ordinary share	**49.4**	26.3
Proposed final proposed of HK6.5 cents (2006: HK6.5 cents) per ordinary share	**64.2**	34.2
	113.6	60.5

The final dividend is not accounted for until it has been approved at the forthcoming annual general meeting of the Company. The amount will be accounted for as an appropriation of the reserves for the year ending 31 December 2008.

13. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	2007 **HK$'M**	2006 HK$'M
Profit attributable to the equity holders of the Company	**1,735.9**	738.3
Weighted average number of ordinary shares in issue	**749,684,938**	526,357,976
Basic earnings per share	**HK$2.32**	HK$1.40

(b) Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares at the beginning of the year. The Company has share options and incentive shares outstanding during the year which are dilutive potential ordinary shares. Calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average daily market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options.

	2007 **HK$'M**	2006 HK$'M
Profit attributable to the equity holders of the Company	**1,735.9**	738.3
Weighted average number of ordinary shares in issue	**749,684,938**	526,357,976
Effect of dilutive potential shares issuable under the Company's share option and share incentive schemes	**2,805,656**	2,583,865
Weighted average number of shares for the purposes of calculating diluted earnings per share	**752,490,594**	528,941,841
Diluted earnings per share	**HK$2.31**	HK$1.40

14. LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP 2007 HK$'M	THE GROUP 2006 HK$'M
At 1 January	**776.3**	780.4
Acquisition of subsidiaries (Note 36)	**3,082.4**	—
Additions	**1,938.3**	—
Impairment	**(0.9)**	—
Amortisation	**(23.7)**	(4.1)
At 31 December	**5,772.4**	776.3

The Group's interests in leasehold land and land use rights represent prepaid lease payments and their net book values are analysed as follows:

	THE GROUP 2007 HK$'M	THE GROUP 2006 HK$'M
In Hong Kong, held on:		
Leases of over 50 years	**1,163.9**	757.1
Leases of between 10 to 50 years	**4,600.4**	10.1
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	**8.1**	9.1
	5,772.4	776.3

15. INVESTMENT PROPERTIES

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
At 1 January	**1,563.1**	1,311.6
Fair value gain	**458.0**	336.3
Acquisition of subsidiaries (Note 36)	**1,430.3**	—
Additions	**6.0**	1.2
Transfer from other properties, plant and equipment	**5.6**	—
Disposals	**—**	(86.0)
At 31 December	**3,463.0**	1,563.1

Investment properties represent properties in Hong Kong held on leases of between 10 to 50 years.

The Group's investment properties were valued on an open market value basis as at 31 December 2007 by Savills, Jones Lang LaSalle and B.I. Appraisals. Valuations were based on current prices in an active market for all properties.

16. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
At 1 January	**128.7**	89.5
Acquisition of subsidiaries (Note 36)	**370.7**	—
Additions	**676.1**	39.2
At 31 December	**1,175.5**	128.7
Properties under development comprise:		
Properties in Hong Kong, held on:		
Leases of over 50 years	**384.4**	128.7
Leases of between 10 to 50 years	**791.1**	—
	1,175.5	128.7

Included in properties under development is net interest capitalised of HK$115.7 M (2006: HK$33.2 M).

For the year ended 31 December 2007

17. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Freehold properties HK$'M (Note a)	Leasehold buildings HK$'M (Note b)	Furniture, fixtures and equipment HK$'M	Motor vehicles HK$'M	Plant and machinery HK$'M	Total HK$'M
THE GROUP						
COST						
At 1 January 2007	**66.9**	**205.8**	**198.7**	**9.5**	**92.2**	**573.1**
Exchange differences	**1.3**	**2.4**	**3.3**	**0.1**	**1.2**	**8.3**
Acquisition of subsidiaries (Note 36)	**–**	**25.0**	**1.0**	**1.3**	**4.0**	**31.3**
Additions	**–**	**1.1**	**17.9**	**3.3**	**9.9**	**32.2**
Transfer to investment properties	**–**	**(4.8)**	**(10.4)**	**–**	**(8.6)**	**(23.8)**
Disposals	**–**	**(0.8)**	**(15.3)**	**(1.5)**	**(1.9)**	**(19.5)**
At 31 December 2007	**68.2**	**228.7**	**195.2**	**12.7**	**96.8**	**601.6**
Comprising:						
At cost	**68.2**	**171.8**	**195.2**	**12.7**	**96.8**	**544.7**
At 1994 valuation (Note c)	**–**	**56.9**	**–**	**–**	**–**	**56.9**
	68.2	**228.7**	**195.2**	**12.7**	**96.8**	**601.6**
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2007	**–**	**45.8**	**149.2**	**5.6**	**71.5**	**272.1**
Exchange differences	**–**	**1.2**	**2.7**	**0.1**	**1.0**	**5.0**
Impairment	**–**	**7.0**	**7.3**	**–**	**16.3**	**30.6**
Provided for the year	**5.8**	**7.9**	**15.6**	**2.0**	**4.0**	**35.3**
Transfer to investment properties (Note 15)	**–**	**(2.2)**	**(7.6)**	**–**	**(8.4)**	**(18.2)**
Disposals	**–**	**(0.8)**	**(13.5)**	**(1.3)**	**(1.6)**	**(17.2)**
At 31 December 2007	**5.8**	**58.9**	**153.7**	**6.4**	**82.8**	**307.6**
NET BOOK VALUE						
At 31 December 2007	**62.4**	**169.8**	**41.5**	**6.3**	**14.0**	**294.0**

17. OTHER PROPERTIES, PLANT AND EQUIPMENT (Continued)

	Freehold properties HK$'M (Note a)	Leasehold buildings HK$'M (Note b)	Furniture, fixtures and equipment HK$'M	Motor vehicles HK$'M	Plant and machinery HK$'M	Total HK$'M
THE GROUP						
COST						
At 1 January 2006	59.5	200.1	170.1	9.3	87.5	526.5
Exchange differences	7.4	2.3	9.7	—	—	19.4
Additions	—	3.4	21.4	2.1	6.1	33.0
Disposals	—	—	(2.5)	(1.9)	(1.4)	(5.8)
At 31 December 2006	66.9	205.8	198.7	9.5	92.2	573.1
Comprising:						
At cost	66.9	148.9	198.7	9.5	92.2	516.2
At 1994 valuation (Note c)	—	56.9	—	—	—	56.9
	66.9	205.8	198.7	9.5	92.2	573.1
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2006	—	36.8	127.6	5.6	69.3	239.3
Exchange differences	—	1.1	8.3	—	—	9.4
Impairment	—	1.0	—	—	—	1.0
Provided for the year	—	6.9	15.0	1.4	3.6	26.9
Disposals	—	—	(1.7)	(1.4)	(1.4)	(4.5)
At 31 December 2006	—	45.8	149.2	5.6	71.5	272.1
NET BOOK VALUE						
At 31 December 2006	66.9	160.0	49.5	3.9	20.7	301.0

17. OTHER PROPERTIES, PLANT AND EQUIPMENT (Continued)

Notes:

(a) The Group's freehold properties represent properties outside Hong Kong.

(b) Net book value of the Group's leasehold buildings comprises:

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Properties held on leases of over 50 years in Hong Kong	**8.6**	8.8
Properties held on leases of between 10 to 50 years		
— in Hong Kong	**75.7**	83.6
— outside Hong Kong	**59.3**	66.1
Properties held on leases of less than 10 years outside Hong Kong	**26.2**	1.5
	169.8	160.0

(c) The Group applies the transitional provision under Paragraph 80A of HKAS 16 "Property, plant and equipment", under which leasehold buildings stated at 1994 valuation are not required to make regular revaluations.

18. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2007	2006
	HK$'M	HK$'M
Unlisted shares, at cost	**3,249.0**	590.8
Less: provision for impairment	**—**	(66.1)
	3,249.0	524.7
Amounts due from subsidiaries (Note)	**555.1**	600.2
	3,804.1	1,124.9
Amounts due to subsidiaries	**(17.2)**	—

Note:

Amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are measured in accordance with the Company's accounting policy for investments in subsidiaries.

Amounts due from and due to subsidiaries are unsecured, interest free and have no fixed repayment terms.

Details of the principal subsidiaries at 31 December 2007 are set out in Note 43.

19. ASSOCIATES

(a) Interests in associates

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Share of net assets	**403.8**	64.0
Loans to associates	**248.3**	99.9
	652.1	163.9

Details of the principal associates at 31 December 2007 are set out in Note 45.

Notes:

(i) Movements of interests in associates are as follows:

	2007	2006
	HK$'M	HK$'M
At 1 January	**163.9**	199.5
Exchange difference	**(1.9)**	4.9
Share of results	**2.5**	25.8
Interest income on loans to associates	**9.0**	7.1
Acquisition of subsidiaries (Note 36)	**555.1**	—
Acquisition of interests in associates	**—**	0.4
Net repayments of loans to associates	**(76.5)**	(73.8)
At 31 December	**652.1**	163.9

(ii) Summary of financial information of the Group's share of results, assets and liabilities of its associates, before minority interests is as follows:

	2007	2006
	HK$'M	HK$'M
Results for the year ended 31 December:		
Revenue	**489.6**	278.6
Profit for the year	**2.5**	25.8
Financial position at 31 December:		
Non-current assets	**986.7**	446.4
Current assets	**189.0**	62.8
Current liabilities	**(58.2)**	(124.9)
Non-current liabilities	**(713.7)**	(320.3)
Net assets	**403.8**	64.0

(iii) The advances are unsecured, have no fixed repayment terms and carry interest at market rates.

19. ASSOCIATES (Continued)

(b) Amounts due from associates, which are unsecured and repayable on demand, are analysed as follows:

	2007 HK$'M	2006 HK$'M
Interest-bearing amount	**20.8**	13.2
Interest-free amount	**5.1**	5.4
Total	**25.9**	18.6

The interest rates range from 7.86% to 8.95% per annum (2006: from 8.75% to 9% per annum).

(c) Amount due to an associate is unsecured, interest-free and repayable on demand.

20. STRATEGIC INVESTMENTS

Strategic investments represent available-for-sale financial assets as follows:

	THE GROUP	
	2007 HK$'M	2006 HK$'M
Listed equity securities (Note a)		
— Hong Kong	**—**	541.7
— Singapore	**291.0**	0.4
— United Kingdom	**3.1**	5.8
— The PRC	**2.6**	—
	296.7	547.9
Other investments (Note b)	**230.0**	91.9
	526.7	639.8
Market value of listed securities	**296.7**	547.9

The listed equity securities are denominated in the following currencies:

	2007	2006
HK dollars	**—**	541.7
Singapore dollars	**291.0**	0.4
Euro	**3.1**	5.8
Renminbi	**2.6**	—
	296.7	547.9

20. STRATEGIC INVESTMENTS (Continued)

Notes:

(a) At 31 December 2006, the listed equity securities in Hong Kong represented the Group's 16.56% interests in Winsor Properties Holdings Limited ("Winsor Properties").

Winsor Properties is engaged in property investments and its shares are listed on the Stock Exchange. In June and July 2007, the Company acquired additional 62.70% interests in Winsor Properties. As a result, Winsor Properties became a 79.26% owned subsidiary of the Group and its post-acquisition results are consolidated into the Group's consolidated financial statements. Details of the acquisition are set out in Note 36.

(b) Other investments comprise principally the Group's investments in various property development projects. During the year, the directors conducted a review of the carrying amounts of investments and determined that impairment losses of HK$4.6 M (2006: Nil) has been released in the consolidated financial statements by reference to the recoverable amounts of these property development projects.

21. LOANS AND RECEIVABLES

	THE GROUP	
	2007 HK$'M	2006 HK$'M
Deposit for acquisition of investment properties (Note a)	**181.0**	85.8
Trademark (Note b)	**0.3**	0.4
Deposit for acquisition of investee companies (Note c)	**105.2**	—
Deposit for acquisition of leasehold land (Note d)	**44.0**	—
Loans to joint venture partners (Note e)	**107.6**	—
	438.1	86.2
Analysed as:		
Current	**20.8**	—
Non-current	**417.3**	86.2
	438.1	86.2

Notes:

(a) In 2006, the Group entered into an agreement to acquire certain investment properties located in Beijing, the PRC. The Group anticipates to complete the acquisition in 2008.

(b) The trademark is related to the Group's hospitality operations and is amortised over an estimated useful life of ten years.

(c) In 2007, one of the jointly controlled entities of the Group entered into an agreement to form a joint venture to acquire certain companies holding land sites in Shenyang, the PRC. The Group anticipates to complete the acquisition in 2008.

(d) In 2007, one of the jointly controlled entities of the Group entered into an agreement for acquisition of leasehold land in Hong Kong for redevelopment. Subsequent to the balance sheet date and before the date of this report, the acquisition was completed in February 2008 and the deposit will be reclassified as "Properties Under Development" upon the date of completion.

(e) The loans are secured, interest bearing and not repayable within one year from the balance sheet date except for an amount of HK$20.8 M repayable within one year.

(f) None of the loans and receivables is either past due or impaired.

For the year ended 31 December 2007

22. INVENTORIES

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Raw materials	**25.9**	21.1
Work in progress	**69.0**	52.2
Finished goods	**52.3**	49.1
	147.2	122.4

23. PROPERTIES FOR SALE

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Properties for sale comprise:		
Held on leases of between 10 to 50 years in Hong Kong:		
Net book value of leasehold land	**8.7**	77.0
Development costs	**28.9**	201.5
Freehold land and buildings outside Hong Kong	**24.7**	24.2
	62.3	302.7

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Trade receivables	**261.8**	157.7
Less: provision for impairment	**(21.4)**	(17.6)
Trade receivables (net of provision)	**240.4**	140.1
Other receivables, deposits and prepayments	**88.9**	52.1
	329.3	192.2

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

The fair values of trade and other receivables, deposits and prepayments approximate their carrying amounts.

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 31 December, based on the due dates:

	2007 **HK$'M**	2006 HK$'M
Not year due	**98.5**	22.5
1 — 30 days	**75.8**	79.4
31 — 90 days	**42.3**	23.2
Over 90 days	**23.8**	15.0
	240.4	140.1

As of 31 December 2007, trade receivables of HK$141.9 M (2006: HK$117.6 M) were past due but not impaired. These trade receivables relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2007 **HK$'M**	2006 HK$'M
1 — 30 days	**75.8**	79.4
31 — 90 days	**42.3**	23.2
Over 90 days	**23.8**	15.0
	141.9	117.6

24. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (Continued)

As of 31 December 2007, trade receivables of HK$21.4 M (2006: HK$17.7 M) were impaired. The amount of the provision was HK$21.4 M as of 31 December 2007 (2006: HK$17.6 M). The individually impaired receivables mainly relate to wholesalers, which are in unexpected difficult economic situations. The ageing analysis of these receivables is as follows:

	2007 HK$'M	2006 HK$'M
31 — 90 days	**0.4**	—
Over 90 days	**21.0**	17.6
	21.4	17.6

The trade receivables (net of provision) are denominated in the following currencies:

	2007 HK$'M	2006 HK$'M
HK dollars	**101.9**	24.2
US dollars	**108.5**	87.1
UK pound	**18.1**	19.4
Other currencies	**11.9**	9.4
	240.4	140.1

Movements on the provision for impairment of trade receivables are as follows:

	2007 HK$'M	2006 HK$'M
At 1 January	**17.6**	17.4
Provision for impairment	**10.4**	1.4
Release of impairment	**(6.6)**	(1.2)
At 31 December	**21.4**	17.6

The creation and release of provision for impaired trade receivables have been charged/credited to the income statement. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

Other receivables and deposits do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Equity linked notes	**12.4**	—
A real estate investment trust listed in Hong Kong	**2.3**	—
Equity securities listed in Hong Kong	**0.2**	—
	14.9	—

The equity linked notes are denominated in US dollars. The real estate investment trust and listed equity securities are denominated in HK dollars.

Financial assets at fair value through profit or loss are presented within "operating activities" as part of the changes in working capital in the consolidated cash flow statement.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP			
	2007		2006	
	Assets	**Liabilities**	Assets	Liabilities
	HK$'M	**HK$'M**	HK$'M	HK$'M
Interest rate swaps				
— cash flow hedges	**—**	**(27.0)**	0.9	—
— not qualifying as hedges	**0.2**	**(14.8)**	—	—
	0.2	**(41.8)**	0.9	—
Forward foreign exchange contracts				
— net investment hedges	**0.4**	**—**	(0.7)	—
	0.6	**(41.8)**	0.2	—
Analysed as				
Current	**0.6**	**(10.0)**	0.2	—
Non-current	**—**	**(31.8)**	—	—
	0.6	**(41.8)**	0.2	—

The aggregate notional principal amounts of the interest rate swap contracts and forward foreign exchange rate contracts are HK$1,050.0 M and HK$16.3 M respectively (2006: HK$140.0 M and HK$70.8 M respectively).

Trading derivatives are classified as a current asset or liability. The full fair value of a hedging derivative is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability if the maturity of the hedge item is less than 12 months.

The ineffective portion recognised in the income statement that arises from cash flow hedges amounts to a loss of HK$42.5 M (2006: Nil) (Note 7).

27. CASH AND CASH EQUIVALENTS

Cash and cash equivalents for the purpose of the cash flow statement include the following:

	THE GROUP	
	2007 HK$'M	2006 HK$'M
Bank balances and cash	**1,806.4**	403.6
Bank overdrafts, unsecured	**(7.8)**	(3.0)
	1,798.6	400.6

Bank balances and cash include short-term bank deposits of HK$118.3 M (2006: Nil) with an average effective interest rate of 3.0% per annum (2006: Nil).

The Group's cash and cash equivalents are denominated in the following currencies:

	2007 HK$'M	2006 HK$'M
HK dollars	**1,686.8**	338.5
US dollars	**11.9**	23.0
UK pound	**31.3**	26.4
Other currencies	**68.6**	12.7
	1,798.6	400.6
Maximum exposure to credit risk	**1,806.4**	403.6

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	THE GROUP	
	2007 HK$'M	2006 HK$'M
Trade payables	**250.1**	81.3
Other payables and accruals	**444.8**	247.9
	694.9	329.2

The ageing analysis of the Group's trade payables at 31 December is as follow:

	2007 HK$'M	2006 HK$'M
0 — 30 days	**236.3**	53.0
31 — 90 days	**9.4**	16.4
Over 90 days	**4.4**	11.9
	250.1	81.3

28. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

The carrying values of the Group's trade and other payables approximate their fair values. Trade payables are denominated in the following currencies:

	2007 HK$'M	2006 HK$'M
HK dollars	**214.5**	48.6
US dollars	**9.3**	15.3
UK pound	**16.7**	15.4
Other currencies	**9.6**	2.0
	250.1	81.3

29. SHORT-TERM BANK BORROWINGS AND OVERDRAFTS

	THE GROUP	
	2007 HK$'M	2006 HK$'M
Bank overdrafts, unsecured	**7.8**	3.0
Trust receipts and import loans	**5.9**	1.9
Bank borrowings in respect of discounted bills	**—**	10.2
	13.7	15.1

Trust receipts and import loans are secured by related inventories. The bank interest rates range from 6.25% to 8% per annum (2006: from 7.75% to 8% per annum).

The carrying amounts of short-term bank borrowings approximate their fair values and are denominated in the following currencies:

	2007 HK$'M	2006 HK$'M
HK dollars	**7.8**	3.9
US dollars	**5.9**	1.0
Euro	**—**	10.2
	13.7	15.1

30. BANK LOANS

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

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Within one year	**902.7**	48.7
Between one to two years	**577.0**	157.9
Between two to five years	**2,062.6**	480.0
After five years	**568.4**	362.1
	4,110.7	1,048.7
Less: Amounts due within one year shown under current liabilities	**(902.7)**	(48.7)
Amounts due after one year	**3,208.0**	1,000.0
Analysed as		
— secured	**3,248.2**	923.8
— unsecured	**862.5**	124.9
	4,110.7	1,048.7

Bank loans are secured by certain land and buildings and bank deposits of the Group amounting to HK$9,702.3 M (2006: HK$1,760.5 M) (Note 40).

The bank loans are denominated in the following currencies:

	2007	2006
	HK$'M	HK$'M
HK dollars	**3,928.9**	979.4
UK pound	**66.8**	69.3
Renminbi	**115.0**	—
	4,110.7	1,048.7

The effective interest rates at the balance sheet date were as follows:

	2007	2006
HK dollars	**3.75%**	4.39%
UK pound	**6.25%**	5.75%
Renminbi	**6.69%**	—

The carrying amounts of the non-current bank loans approximate their fair values.

31. OTHER LONG-TERM LOANS

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Interest bearing loans	**–**	175.1
Interest free loans	**43.6**	12.3
	43.6	187.4

The loans are from minority shareholders of certain subsidiaries. The interest bearing loans carry interest at prevailing market rates. All the loans are unsecured and have no fixed repayment terms. The loans above include amounts of HK$43.6 M (2006: HK$183.7 M) which are extended to the Group to finance property development projects. 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 loans are denominated in the following currencies:

	2007	2006
	HK$'M	HK$'M
HK dollars	**35.3**	178.8
US dollars	**8.3**	8.6
	43.6	187.4

The carrying amounts of the loans approximate their fair values.

32. DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and where the deferred taxation relate to the same fiscal authority. The offset amounts as shown on the balance sheet are as follows:

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Deferred tax liabilities	**1,125.0**	146.9
Deferred tax assets	**(6.1)**	(16.2)
	1,118.9	130.7

32. DEFERRED TAXATION (Continued)

The gross movements of the deferred tax liabilities/(assets) recognised are as follows:

	Tax depreciation HK$'M	Revaluation of properties HK$'M	Tax losses HK$'M	Total HK$'M
At 1 January 2006	26.2	54.1	(4.7)	75.6
Charged/(credited) to income statement for the year (Note 11)	9.5	57.1	(11.5)	55.1
At 31 December 2006	35.7	111.2	(16.2)	130.7
Acquisition of subsidiaries (Note 36)	33.3	865.2	(10.2)	888.3
Charged/(credited) to income statement for the year (Note 11)	5.1	97.9	(3.1)	99.9
At 31 December 2007	74.1	1,074.3	(29.5)	1,118.9

At 31 December 2007, the Group has unused tax losses of approximately HK$685.0 M (2006: HK$442.7 M) available for offset against future profits. Deferred tax asset has been recognised in respect of HK$167.8 M (2006: HK$92.8 M) of such losses. No deferred tax asset has been recognised in respect of the remaining tax losses of HK$517.1 M (2006: HK$349.9 M) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$128.8 M (2006: HK$61.7 M) that will expire in the next five years. Other losses may be carried forward indefinitely.

33. SHARE CAPITAL

	Number of shares	Amount HK$'M
Ordinary shares of HK$0.50 each		
Authorised:		
At 1 January 2006 and 31 December 2006	1,320,000,000	660.0
Increase in authorised share capital	680,000,000	340.0
At 31 December 2007	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2006	526,255,339	263.1
Issue of shares on exercise of incentive shares (Note 34(b))	416,250	0.2
At 31 December 2006	526,671,589	263.3
Issue of shares on exercise of incentive shares (Note 34(b))	789,750	0.4
Issue of shares for acquisition of subsidiaries	460,035,579	230.0
At 31 December 2007	987,496,918	493.7

33. SHARE CAPITAL (Continued)

At a special general meeting held on 8 June 2007, it was resolved that the authorised share capital of the Company be increased from HK$660,000,000 to HK$1,000,000,000 by the creation of an additional 680,000,000 ordinary shares of HK$0.50 each. These shares rank pari passu in all respect with the existing ordinary shares of the Company.

The Company issued 373,657,355, 12,509,100 and 73,869,124 shares on 6 July 2007, 13 July 2007 and 19 July 2007 respectively to satisfy the consideration for the acquisition of 62.70% equity interest in Winsor Properties (Note 36).

34. SHARE OPTION SCHEME AND SHARE INCENTIVE SCHEME

(a) Share Option Scheme

Under the Share Option Scheme of the Company adopted on 10 June 2003 ("Share Option Scheme"), the Board of Directors of the Company, may in its absolute discretion, grant options to directors and employees of the Group to subscribe for shares of the Company, subject to a maximum of 51,762,534 representing 10% of the issued share capital of the Company as at 10 June 2003. The maximum number of options granted to any one individual in any 12-month period shall not exceed 1% of the issued share capital 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. A consideration of HK$1 is payable on acceptance of the grant of options. Options granted must be taken up within 28 days from the date of grant. The exercise price for an option to subscribe for a share is determined by the directors of the Company, and shall be at least the highest of: i) the closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotation sheet on the date of grant; ii) the average closing price of the shares of the Company as stated in the Hong Kong Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of grant; and iii) the nominal value of a share of the Company. The Share Option Scheme will end on 9 June 2013.

Details of the share options granted under the Share Option Scheme during the year are as follows:

			Number of share options		
	Date of grant	Exercise price per share	As at 1.1.2007	As at 31.12.2007	Fair value of share options amortised in 2007
					HK$
Simon MURRAY	19.4.2005	HK$2.125	1,000,000	1,000,000	132,000

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 annum starting from the first anniversary of the date of grant. No options were granted or exercised during the year.

The closing price of the shares of the Company quoted on the Stock Exchange on 18 April 2005, being the date immediately before the date on which share options were granted, was HK$2.125 per share.

34. SHARE OPTION SCHEME AND SHARE INCENTIVE SCHEME (Continued)

(b) 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 authorised 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 for shares of the Company. The maximum number of shares of the Company which may be issued in response to the awards and any other incentive and option schemes of the Company (excluding lapsed awards and options) shall not in aggregate exceed 52,625,533 representing 10% of the issued share capital of the Company as at 17 June 2005.

The Share Incentive Scheme is a long-term incentive arrangement for the Eligible Employees, the purpose of which is to recognise, 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 to provide existing and future employees with direct economic interests in the long-term development and growth of the Group.

Offer of awards must be accepted within 28 days from the date of offer. The subscription price for each share which is the subject of an award shall be an amount equal to its nominal value. Each subscription under the Share Incentive Scheme shall be in cash at the subscription price. The Company will provide to the Eligible Employees the funds required to subscribe for the shares issued under the Share Incentive Scheme. The Share Incentive Scheme will end on 16 June 2015.

34. SHARE OPTION SCHEME AND SHARE INCENTIVE SCHEME (Continued)

(b) Share Incentive Scheme (Continued)

Details of the incentive shares awarded pursuant to the Share Incentive Scheme during the year are as follows:

		Number of incentive shares					
	Date of award	As at 1.1.2007	Awarded during the year	Vested and exercised during the year	Cancelled during the year	As at 31.12.2007	Fair value of incentive shares amortised in 2007 HK$
Directors							
CHENG Wai Chee, Christopher	13.9.2005	450,000	–	(150,000)	–	300,000	325,000
	25.4.2006	546,000	–	(136,500)	–	409,500	499,000
	26.7.2007	–	327,000	–	–	327,000	602,000
CHENG Wai Sun, Edward	13.9.2005	450,000	–	(150,000)	–	300,000	325,000
	25.4.2006	546,000	–	(136,500)	–	409,500	499,000
	26.7.2007	–	327,000	–	–	327,000	602,000
NG Tak Wai, Frederick	13.9.2005	67,500	–	(22,500)	–	45,000	49,000
	25.4.2006	59,000	–	(14,750)	–	44,250	54,000
AU Hing Lun, Dennis	13.9.2005	112,500	–	(37,500)	–	75,000	81,000
	25.4.2006	110,000	–	(27,500)	–	82,500	101,000
	26.7.2007	–	131,000	–	–	131,000	241,000
		2,341,000	785,000	(675,250)	–	2,450,750	3,378,000
Employees	13.9.2005	168,750	–	(56,250)	–	112,500	116,000
	25.4.2006	213,000	–	(53,250)	–	159,750	195,000
	29.6.2006	20,000	–	(5,000)	–	15,000	21,000
	26.7.2007	–	355,000	–	(30,000)	325,000	553,000
		401,750	355,000	(114,500)	(30,000)	612,250	885,000
		2,742,750	1,140,000	(789,750)	(30,000)	3,063,000	4,263,000

The incentive shares awarded are subject to a vesting scale of 25%, 25% and 50% starting respectively from the first anniversary, the second anniversary and the third anniversary of the provisional date of award. All the incentive shares awarded shall be valid for ten years until the day before the tenth anniversary of the provisional date of award. During the year ended 31 December 2007, 1,140,000 (2006: 1,494,000) incentive shares were awarded and 789,750 (2006: 416,250) incentive shares were vested and exercised.

At the dates of awards, 13 September 2005, 25 April 2006, 29 June 2006 and 26 July 2007, the closing prices of the shares of the Company as quoted on the Stock Exchange were HK$2.725, HK$3.275, HK$3.075 and HK$5.79 per share respectively.

34. SHARE OPTION SCHEME AND SHARE INCENTIVE SCHEME (Continued)

(c) Fair values of incentive shares awarded

The fair values of incentive shares awarded during the year ended 31 December 2007 are determined using the Binominal Option Pricing Model (the "Model"). Key assumptions of the Model are:

	Share Incentive Scheme
Risk-free rate:	4.5%
Expected dividend yield:	1.9%
Expected volatility of the market price of the Company's shares:	67.5%
Expected life:	10 years from the date of grant

The Model requires the input of subjective assumptions, including the volatility of share price. Because changes in subjective input 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.

The fair values of the share options granted and incentive shares awarded during the years ended 31 December 2007 and 2006 were as follows:

	2007 HK$'M	2006 HK$'M
Share options granted to a director	**—**	—
Incentive shares granted to directors and employees	**5.8**	4.0
	5.8	4.0

35. RESERVES

(a) Movements in the reserves of the Group are disclosed in the Consolidated Statement of Changes in Equity.

(b) Movements of the reserves of the Company are as follows:

	Share premium HK$'M	Employee share based compensation reserve HK$'M	Contributed surplus HK$'M	(Accumulated losses)/ retained profits HK$'M	Total HK$'M
THE COMPANY					
At 1 January 2006	441.0	–	594.6	(116.4)	919.2
Shares issued under share incentive scheme	0.9	–	–	–	0.9
Employee share-based compensation reserve	–	3.1	–	–	3.1
2005 final dividend paid	–	–	(28.9)	–	(28.9)
2006 interim dividend paid	–	–	(26.3)	–	(26.3)
Loss for the year	–	–	–	(7.0)	(7.0)
At 31 December 2006	441.9	3.1	539.4	(123.4)	861.0
Shares issued under share incentive scheme	2.0	–	–	–	2.0
Share issued on acquisition of subsidiaries	2,405.1	–	–	–	2,405.1
Employee share-based compensation reserve	–	2.6	–		2.6
2006 final dividend paid	–	–	(34.2)	–	(34.2)
2007 interim dividend paid	–	–	(49.4)	–	(49.4)
Profit for the year	–	–	–	123.7	123.7
At 31 December 2007	2,849.0	5.7	455.8	0.3	3,310.8

The balance of contributed surplus of the Group and the Company arose as a result of the Group reorganisation in 1991 and the Company's capital reduction in 1996 less distributions made.

Under The Companies Act 1981 of Bermuda (as amended), contributed surplus of a company is available for distribution to shareholders in addition to accumulated profits. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

36. BUSINESS COMBINATION

On 29 June and 13 July 2007, the Group acquired an additional 62.70% equity interest in Winsor Properties , a 16.56% owned investee company of the Group at 31 December 2006, after which the shareholding in Winsor Properties held by the Group increased to 79.26%. The consideration for the acquisition is 2.825 new shares of the Company for each share of Winsor Properties.

Winsor Properties is principally engaged in property investment and development and management, warehousing and investment holding. Details of the net assets acquired and the discount on acquisition are as follows:

	Fair value HK$'M	**Winsor Properties' carrying amount** HK$'M
Leasehold land and land use rights	3,082.4	—
Investment properties	1,430.3	4,847.3
Properties under development	370.7	—
Other properties, plant and equipment	31.3	31.3
Interests in associates	555.1	448.3
Strategic investments/Available-for-sale financial assets	490.4	490.4
Deferred tax assets	1.9	1.9
Trade and other receivables, deposits and prepayments	38.0	18.6
Financial assets at fair value through profit or loss	42.4	42.4
Derivative financial instruments	28.3	28.3
Sales proceeds held in stakeholders' accounts	5.1	—
Amounts due from group companies	148.6	—
Cash and cash equivalents	660.2	604.9
Trade and other payables and accruals	(88.3)	(78.5)
Bank loans	(100.4)	(100.4)
Tax payable	(92.8)	(58.4)
Other long-term loans	(35.3)	(35.3)
Deferred tax liabilities	(890.2)	(645.4)
Minority interests	(9.8)	(15.5)
	5,667.9	5,579.9
Minority interests	(1,175.3)	
Share of post-acquisition reserves attributable to the 16.56% interests previously held as strategic investments credited to retained profits	(425.0)	
Net assets acquired	4,067.6	
Purchase consideration for the additional 62.70% interests satisfied by:		
Issue of shares of the Company	2,635.1	
Transaction costs of the acquisition	23.1	
	2,658.2	
Purchase consideration for the original 16.56% interests	240.8	
	2,899.0	
Discount on acquisition	1,168.6	
Purchase consideration settled in cash	(23.1)	
Cash and cash equivalents in subsidiaries acquired	660.2	
Net cash inflow arising from acquisition	637.1	

36. BUSINESS COMBINATION (Continued)

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

Winsor Properties contributed revenue of approximately HK$81.3 M and profit attributable to equity holders of the Company of approximately HK$188.8 M for the period from the date of acquisition to 31 December 2007. If the acquisition had occurred on 1 April 2007, the beginning of the accounting period of Winsor Properties, the revenue contributed by Winsor Properties to the Group would have been approximately HK$119.1 M and profit attributable to equity holders of the Company would have been HK$351.5 M.

37. OPERATING LEASES

THE GROUP AS LESSEE

	2007 HK$'M	2006 HK$'M
Minimum lease payments charged to income statement during the year:		
— land and buildings	**27.3**	21.1
— equipment and motor vehicles	**1.1**	0.9
	28.4	22.0

Under the leases entered into by the Group, the lease payments are fixed and predetermined. At 31 December 2007, the future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2007 HK$'M	2006 HK$'M
For buildings		
— Within one year	**41.4**	21.2
— After one year and not later than five years	**62.5**	64.5
— Over five years	**26.6**	32.7
	130.5	118.4
For equipment and motor vehicles		
— Within one year	**0.7**	0.5
— After one year and not later than five years	**0.3**	0.5
	1.0	1.0
Total	**131.5**	119.4

37. OPERATING LEASES (Continued)

THE GROUP AS LESSOR

	2007 HK$'M	2006 HK$'M
Gross rental income credited to income statement during the year	**220.9**	100.4
Less: Outgoings	**(3.4)**	(2.9)
	217.5	97.5

The Group's investment properties are held for rental purposes. Rental income is fixed and predetermined. The properties held have committed tenants for the next two to three years. At the balance sheet date, the amount of future rental receivable by the Group is analysed as follows:

	2007 HK$'M	2006 HK$'M
Within one year	**140.4**	24.1
After one year and not later than five years	**53.8**	10.7
	194.2	34.8

The Company had no significant operating lease commitments at the balance sheet dates.

38. CAPITAL COMMITMENTS

	THE GROUP	
	2007 HK$'M	2006 HK$'M
Capital expenditure in respect of properties under development/investment properties		
— contracted but not provided for in the financial statements	**1,370.6**	6.6
— authorised but not contracted for	**11.1**	20.7
Capital expenditure in respect of acquisition of other properties, plant and equipment		
— contracted but not provided for in the financial statements	**0.6**	86.1
	1,382.3	113.4

The Company had no capital commitment at the balance sheet dates.

39. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2007 **HK$'M**	2006 HK$'M	**2007** **HK$'M**	2006 HK$'M
Guarantees given to banks in respect of credit facilities extended to				
— subsidiaries	**—**	—	**2,088.0**	1,842.9
— an associate	**419.5**	—	**—**	—
	419.5	—	**2,088.0**	1,842.9
Other guarantees given to banks	**1.9**	1.9	**—**	—
	421.4	1.9	**2,088.0**	1,842.9

At 31 December 2007, HK$1,435.5 M (2006: HK$715.5 M) guarantees given by the Company were utilised.

40. PLEDGE OF ASSETS

At 31 December 2007, the Group's advances to associates/jointly controlled entities include amounts of HK$863.2 M (2006: HK$148.0 M) which are subordinated to the loans facilities of associates/jointly controlled entities. The associates/jointly controlled entities are engaged in property development. The Group's advances to the associates/jointly controlled entities include amounts of HK$824.5 M (2006: HK$109.3 M) which are assigned, and the shares in these associates/jointly controlled entities beneficially owned by the Group are pledged to the financial institutions.

At 31 December 2007, certain of the Group's investment properties, freehold properties, leasehold land, leasehold building, properties under development and bank deposits with carrying value of HK$2,680.6 M (2006: HK$1,558.0 M), HK$62.4 M (2006: HK$59.5 M), HK$5,754.2 M (2006: HK$38.7 M), HK$8.6 M (2006: HK$92.4 M), HK$1,175.5 M (2006: HK$11.9 M) and HK$21.0M (2006: Nil) respectively were pledged to secure credit facilities for the Group.

41. RETIREMENT BENEFITS AND PENSION SCHEMES

The Group operates a defined benefit pension scheme for certain qualifying employees of its overseas subsidiaries. Under the scheme, the employees are entitled to a pension of 1.25% of final salary for each year of pensionable service at the normal retirement age of 65. No other post-retirement benefits are provided. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out by Mr. Nigel P. Hacking, Fellow of the Institute of Actuaries, of Barnett Waddingham LLP and was updated to 31 December 2007 for the accounting reporting purpose. The present value of the defined obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main actuarial assumptions used were as follows:

	2007	2006
Discount rate	**5.80%**	5.20%
Expected return on plan assets	**6.53%**	6.40%
Expected rate of salary increases	**N/A**	4.00%
Future pension increases in respect of service	**2.50%**	2.35%

41. RETIREMENT BENEFITS AND PENSION SCHEMES (Continued)

The actuarial valuation updated to 31 December 2007 showed that the market value of scheme assets was approximately HK$93.8 M (2006: HK$85.8 M) and that the actuarial value of these assets represented 100% (2006: 91%) of the benefits that had accrued to members, equivalent to a shortfall of approximately HK$0.2 M (2006: HK$8.1 M).

Amounts recognised in the income statement in respect of the defined benefit pension scheme are as follows:

	2007 HK$'M	2006 HK$'M
Current service cost	**0.8**	2.2
Interest cost	**4.8**	4.1
Expected return on plan assets	**(5.6)**	(4.7)
Curtailment gain	**(3.7)**	—
(Credit)/charge for the year	**(3.7)**	1.6

The credit/charge for the year has been included in administrative expenses.

The actual return on plan assets was approximately HK$6.8 M (2006: HK$6.5 M).

The unrecognised defined benefit asset arising from the Group's obligations in respect of its defined benefit pension scheme is as follows:

	2007 HK$'M	2006 HK$'M
Fair value of scheme assets	**93.8**	85.8
Present value of funded obligations	**(94.0)**	(93.9)
	(0.2)	(8.1)
Unrecognised actuarial losses	**7.0**	10.0
Recognised defined benefit asset	**6.8**	1.9

Movement in the net asset during the year was as follows:

	2007 HK$'M	2006 HK$'M
At 1 January	**1.9**	1.0
Exchange differences	**—**	0.2
Credited/(charged) to income statement	**3.7**	(1.6)
Contributions	**1.2**	2.3
At 31 December	**6.8**	1.9

42. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) The Group has made advances and other credit arrangements provided by the Group to its associates. Details of these arrangements at the balance sheet date are set out in notes 19, 39 and 40. In addition, the Group has the following significant transactions with related parties during the year.

	THE GROUP	
	2007	2006
	HK$'M	HK$'M
Interest income from loans to associates	**9.0**	7.1
Project management fee income from associates	**11.1**	6.3
Project management fee income from a subsidiary of the Group's investee company	**0.9**	1.8
Property rental income from an equity holder of the Company	**2.0**	1.5

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

(b) During the year, Grandslam Limited ("Grandslam"), a wholly-owned subsidiary of the Company entered into a share sale and purchase agreement with a minority shareholder of Unimix Holdings Limited ("Unimix Holdings"), an indirect subsidiary of the Company. Pursuant to the agreement, Grandslam agreed to purchase from the minority shareholder 150,000 shares of an indirect subsidiary of the Company HK$1.00 each in the issued share capital of Unimix Holdings, representing approximately 13.64% of the issued share capital of Unimix Holdings for an aggregate consideration of HK$4. Prior to the acquisition, the Company had an indirect interest in Unimix Holdings of approximately 86.36% of the entire issued share capital of Unimix Holdings. As a result of the transaction, Unimix Holdings became a wholly-owned indirect subsidiary of the Group. The minority shareholder is a connected person of the Company by virtue of its shareholding in Unimix Holdings, an indirect subsidiary of the Company, and accordingly the transaction constituted a connected transaction.

43. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2007 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company	Principal activities
Aldburg Assets Limited	British Virgin Islands	US$1	100%	Investment holding
Bostar Limited	Hong Kong	HK$100	87.5%	Property development
Caringbah Limited	British Virgin Islands	US$1	100%	Investment holding
Charmax Trading Limited	Hong Kong	HK$100	91%	Garment trading
Charter Star Trading Limited	Hong Kong	HK$100,000	70%	Garment trading
Cheong Ka Limited	British Virgin Islands/ People's Republic of China	US$1	78%	Property holding
Chung Fook Limited	British Virgin Islands/ People's Republic of China	US$1	100%	Property holding
Datas Industries Limited	Hong Kong	HK$2	100%	Garment manufacturing and trading
Dongguan Fude Garment Manufacturing Company Limited * #	People's Republic of China	HK$6,000,000	100%	Garment manufacturing
Dongguan Fumei Garment Manufacturing Company Limited * #	People's Republic of China	HK$14,800,000	100%	Garment manufacturing
Dongguan Grandnice Fashion Limited * #	People's Republic of China	HK$4,000,000	100%	Property holding and garment manufacturing
東莞創麗製衣有限公司*	People's Republic of China	HK$5,600,000	70%	Garment manufacturing
Dongguan Xiangjia Knitwear Co., Ltd. *	People's Republic of China	HK$9,000,000	78%	Garment manufacturing

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company	Principal activities
Eternal Way (Cambodia) Ltd.	Kingdom of Cambodia	US$250,000	90%	Garment manufacturing
Fore Prosper Limited	Hong Kong	HK$100	60%	Service apartment
Gentful Limited	Hong Kong	HK$2	100%	Investment holding
Gieves & Hawkes International Limited	United Kingdom	£250,000	100%	Licensors
Gieves & Hawkes plc	United Kingdom	£3,111,097	100%	Investment holding
Gieves Limited	United Kingdom	£10,100	100%	Retailers
Glory Charm Development Limited	Hong Kong	HK$2	100%	Property holding
Grandnice Fashion Limited	Hong Kong	HK$2	100%	Garment manufacturing
Grandslam Limited	British Virgin Islands	US$1	100%	Investment holding
Impact Textiles B.V.	Netherlands	DFL30,000	100%	Garment trading
Impact Textiles Company Limited	Hong Kong	Ordinary shares HK$4,450,000 Non-voting deferred shares HK$12,310,000	100%	Investment holding and garment trading
Joy Alliance Limited	Hong Kong	HK$100	87.5%	Property development
Keytime Capital Limited	British Virgin Islands	US$1	100%	Investment holding
Lanson Place Hospitality Management (Malaysia) Limited	British Virgin Islands	US$1	100%	Investment holding, hospitality and property management

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company	Principal activities
Lanson Place Hospitality Management (Jakarta) Limited	British Virgin Islands/ Indonesia	US$1	100%	Hospitality and property management
Lanson Place Hospitality Management (Singapore) Pte Limited	Singapore	S$100	100%	Hospitality and property management
Lanson Place Hotels & Residences (Bermuda) Limited	Bermuda	US$12,000	100%	Investment holding and licensing
Lanson Place Hotels & Residences (Holdings) Limited	British Virgin Islands	US$1	100%	Investment holding
Lanson Place Hospitality Management Limited	Hong Kong	HK$2	100%	Hospitality and property management
Pangold Development Limited	Hong Kong	HK$100	95.9%	Property Development
Ruyuan Grandnice Garment Manufacturing Company Limited * #	People's Republic of China	HK$20,000,000	100%	Garment manufacturing
Ruyuan Polly Garment Manufacturing Company Limited * #	People's Republic of China	HK$15,000,000	70%	Garment manufacturing
Shui Hing Textiles International Limited	Hong Kong	HK$75,000,000	100%	Investment holding and garment trading
Shui Hung Knitting and Garment Factory Limited	Hong Kong	HK$20,000,000	100%	Investment holding and garment manufacturing
Shui Pang Garment & Knitting Factory Limited	Hong Kong	HK$2,000,000	70%	Investment holding and garment manufacturing
Success First Development Limited	Hong Kong	HK$2	100%	Property investment

For the year ended 31 December 2007

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company	Principal activities
Technic Enterprises Limited	Hong Kong	HK$2	100%	Garment trading
Telwin Industrial Limited	Hong Kong	HK$2	100%	Garment manufacturing and trading
Twin Dragon Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Unimix Exporters Limited	Hong Kong	HK$300,000	100%	Garment trading
Unimix Holdings Limited	Hong Kong	HK$1,100,000	100%	Investment holding
Unimix International (HK) Limited	Hong Kong	HK$10,000	100%	Garment trading
Unimix Limited	Hong Kong	HK$10,000,000	100%	Garment manufacturing and trading
United Success International Limited	Hong Kong	HK$227,750,062	100%	Investment holding
Universal Glory (Cambodia) Ltd.	Kingdom of Cambodia	US$1,000,000	100%	Garment manufacturing
Universal Team Industrial Limited	Hong Kong	HK$2	100%	Investment holding
USI Investment (China) Limited	British Virgin Islands	US$1	100%	Investment holding
USI Investment (China) (No. 1) Limited	British Virgin Islands	US$1	100%	Investment holding
USI Holdings (B.V.I.) Limited	British Virgin Islands	US$50,000	100%	Investment holding
USI Properties International Limited	British Virgin Islands	US$1	100%	Investment holding
USI Properties Limited (formerly known as USI Property Management Limited)	Hong Kong	HK$2	100%	Property development and project management

For the year ended 31 December 2007

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company	Principal activities
富聯物業管理(北京)有限公司*	People's Republic of China	US$10,000,000	100%	Property investment
Winsor Properties Finance Ltd.	Hong Kong	HK$2	79.3%	Group finance company
Winsor Properties (Hong Kong) Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Adam Knitters Ltd.	Hong Kong	Ordinary shares HK$1,000 Deferred shares HK$200,000	79.3%	Property investment
Allied Effort Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Winnion Limited	Hong Kong	HK$100	79.3%	Property investment
Baudinet Investment Ltd.	Hong Kong	Ordinary shares HK$18 Deferred shares HK$2	79.3%	Property investment
Begin Land Ltd.	Hong Kong	Ordinary shares HK$90,000 Deferred shares HK$10,000	79.3%	Property investment
Congenial Investments Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment
East Sun Estate Management Company Ltd.	Hong Kong	HK$200	79.3%	Property management
Grandeur Investments Limited	British Virgin Islands/ Hong Kong	US$1	79.3%	Property investment
Hilwin Properties Ltd.	Hong Kong	Ordinary shares HK$450,000 Deferred shares HK$50,000	79.3%	Investment holding
Libro Estates Ltd.	Hong Kong	Ordinary shares HK$90,000 Deferred shares HK$10,000	79.3%	Property investment
Unimix Properties Limited	Hong Kong	HK$200	79.3%	Property investment
Winner Godown Ltd.	Hong Kong	HK$1,500,000	55.5%	Godown operation
Winsor Billion Management Ltd.	Hong Kong	HK$1	79.3%	Property management
Winsor Estate Agents Ltd.	Hong Kong	HK$20	79.3%	Property agent

43. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/registered capital held by the Company	Principal activities
Winsor Estate Management Ltd.	Hong Kong	HK$2	79.3%	Property management
Winsor Parking Ltd.	Hong Kong	Ordinary shares HK$18,000,000 Deferred shares HK$2,000,000	79.3%	Property investment
Winsor Properties Financial Services Ltd.	Hong Kong	HK$840	75.5%	Investment holding and property investment
Chericourt Company Ltd.	Hong Kong	HK$1,000,000	75.5%	Property investment
Zofka Properties Ltd.	Hong Kong	Ordinary shares HK$90,000 Deferred shares HK$10,000	79.3%	Property investment
Winsor Properties (Overseas) Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Zak Holdings Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Winwin Investment Pte. Ltd.	Singapore	SGD2	79.3%	Property investment
Curlew International Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Winprop Pte. Ltd.	Singapore	SGD2	79.3%	Investment holding
Winsor Properties (China) Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Dhandia Ltd.	Hong Kong	HK$1,000	79.3%	Investment holding
Tat Yeung Properties Investment Ltd.	British Virgin Islands/ Hong Kong	US$1,000	79.3%	Investment holding
Winsor Health Godown Ltd.	British Virgin Islands/ Hong Kong	US$1,000	75.3%	Investment holding
Grandwick Investment Limited	Hong Kong	HK$1	75.3%	Investment holding
South-China Cold Storage & Ice Co., Ltd.*	People's Republic of China	US$5,000,000	75.3%	Cold storage

* Represents a wholly owned foreign enterprise

\# For identification purpose only

Only USI Holdings (B.V.I.) Limited is directly held by the Company.

The above table lists the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results or assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

44. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the principal jointly controlled entities at 31 December 2007 are as follows:

Name of company	Place of incorporation	Attributable proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Lancaster Partnership Limited	United Kingdom	47.5%	Property development
Landyork Investment Limited	Hong Kong	50%	Property development
Mancas Investment Limited	Hong Kong	50%	Property development
Pacific Bond Limited	Hong Kong	15%	Property development
Century Rise Limited	Hong Kong	15%	Property development
Ace Glory Limited	Hong Kong	15%	Property development
Cateavon Limited	Hong Kong	30%	Property development
Jumbo Broad Limited	British Virgin Islands	40%	Investment holding
Best Joy Enterprises Limited	British Virgin Islands	40%	Investment holding
Raise Up Enterprises Limited	British Virgin Islands	20.2%	Investment holding

The Group's percentage of shareholding, profit sharing and voting power of each of the above principal jointly controlled entities are the same, except for the Group's percentage of voting power of Lancaster Partnership Limited is 50%.

The following amounts represent the Group's respective share of the assets and liabilities, and revenue and results of the jointly controlled entities and are included in the consolidated balance sheet and income statement:

	2007 HK$'M	2006 HK$'M
Assets:		
Non-current assets	**1,735.6**	—
Current assets	**624.8**	625.6
Liabilities:		
Current liabilities	**(340.4)**	(197.5)
Non-current liabilities	**(715.4)**	—
Net assets	**1,304.6**	428.1
Revenue	**858.5**	1,372.6
Expenses	**(313.3)**	(723.1)
Taxation	**(83.8)**	(119.8)
Profit after taxation	**461.4**	529.7

45. PRINCIPAL ASSOCIATES

Details of the principal associates at 31 December 2007 are as follows:

Name of company	Place of incorporation	Attributable proportion of nominal value of issued/ registered capital held by the Company indirectly	Principal activities
Mission System Consultant Limited	Hong Kong	42.5%	Computer software consultancy
Shanghai Jinlin Tiandi Serviced Apartment Management Co., Ltd.	People's Republic of China	23.4%	Serviced apartment
Smart Gainful Limited	Hong Kong	33.3%	Provision of second mortgage financing
Union Charm Development Limited *	Hong Kong	7.5%	Property development
Winhome Investment Pte Ltd. *	Singapore	21.5%	Property development
Winner Max Enterprises Limited	Hong Kong	33.3%	Property development
Javary Ltd.	Hong Kong	26.4%	Property investment
Suzhou World Trade Centre	People's Republic of China	19.7%	Property investment and development
Tat Yeung Trading Company Ltd.	British Virgin Islands	39.6%	Investment holding
Winquest Investment Pte. Ltd.	Singapore	23.8%	Property investment

* The Group has the ability to exercise significant influence over these associates. Accordingly, they are regarded as associates of the Group.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results or net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Properties held for Investment Purposes

At 31 December 2007

Address	Gross floor area	Lease term	Effective percentage holding	Particulars of occupancy as at 31 December 2007
Shui Hing Centre, 13 Sheung Yuet Road, Kowloon Bay, Kowloon, Hong Kong (New Kowloon Inland Lot No. 5890)	186,827 sq.ft. (17,357 sq.m.)	Lease expired in 2047	79%	Let to outside parties as workshops, canteen or godowns.
Unit B, 21st Floor, Prince Industrial Building, 706 Prince Edward Road East and 106 King Fuk Street, San Po Kong, Kowloon, Hong Kong (21/1170th shares of and in New Kowloon Inland Lot No. 4793)	6,183 sq.ft. (574 sq.m.)	Lease expired in 2047	100%	Let to outside parties as workshops.
Unimix Industrial Centre, 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong (New Kowloon Inland Lot No. 4899)	393,842 sq.ft. (36,589 sq.m.)	Lease expired in 2047	79%	About 31% of the properties was occupied by members of the Group as workshops and ancillary offices. The remaining 69% was let to outside parties as workshops, canteen or godowns.
Unit H, 1st Floor, Wong King Industrial Building, 192-198 Choi Hung Road and 2-4 Tai Yau Street, San Po Kong, Kowloon, Hong Kong (2/501th shares of and in New Kowloon Inland Lot No.4448)	2,424 sq.ft. (225 sq.m.)	Lease expired in 2047	100%	Let to an outside party as workshop
133 Leighton Road, Causeway Bay, Hong Kong (Inland Lot No. 8774)	114,097 sq.ft. (10,600 sq.m.)	Lease expired in 2047	60%	Service apartment

Properties held for Investment Purposes

At 31 December 2007

Address	Gross floor area	Lease term	Effective percentage holding	Particulars of occupancy as at 31 December 2007
Regent Centre, 63-73 Wo Yi Hop Road, Lot No. 299 in D.D. 444, Kwai Chung, New Territories, Hong Kong	658,413 sq.ft. (61,168 sq.m.)	Lease expired in 2047	75%	Let to outside parties as shop, workshops, canteen or godowns
Winner Godown Building, 503-515 Castle Peak Road and 1-9 Sha Tsui Road, R.P. Tsuen Wan Inland Lot No. 28, Tsuen Wan, New Territories, Hong Kong	497,140 sq.ft. (46,185 sq.m.)	Lease expired in 2047	79%	Let to outside parties as workshops or godowns
Lucky Industrial Building, 18-24 Kwai Hei Street and 13-19 Kwai Lok Street, Kwai Chung Town Lot No. 342, Kwai Chung, New Territories, Hong Kong	292,520 sq.ft. (27,176 sq.m.)	Lease expired in 2047	79%	Let to outside parties as workshops or godowns
161 agricultural lots, Lantau and Peng Chau, New Territories	—	Lease expired in 2047	79%	Vacant

Properties under Development

At 31 December 2007

Address	Nature of property	Gross floor area	Effective percentage holding	Project status	Expected completion date
W Square 314-324 Hennessy Road, Wanchai, Hong Kong (The Remaining Portion and Section D of Marine Lot No. 122)	Commercial	114,000 sq.ft.	79.3%	Renovation in progress	2008
Landmark East 102 How Ming Street, Kwun Tong, Kowloon (Section A and The Remaining Portion of Kwun Tong Inland Lot No. 242)	Commercial	1,151,000 sq.ft.	79.3%	Superstructure in progress	2008
No. 157 Argyle Street, Kowloon, Hong Kong (Inland Lot No. 4022)	Residential	90,000 sq.ft.	95.9%	Foundation in progress	2009
Tai Po Town Lot No. 186 Pak Shek Kok Development Area, Phase 1, Site B, Tai Po, New Territories, Hong Kong	Residential	714,000 sq.ft.	15%	Planning and design	2010
Tai Po Town Lot No. 187 Pak Shek Kok Reclamation Phase I, Site A, Tai Po, New Territories, Hong Kong	Residential	345,000 sq.ft.	15%	Planning and design	2010
Tai Po Town Lot No. 188 Pak Shek Kok Reclamation Phase I, Site C, Tai Po, New Territories, Hong Kong	Residential	750,000 sq.ft.	15%	Planning and design	2010

Five Years Financial Summary

The following is a summary of the results and of the assets and liabilities of the Group for each of the five years ended 31 December 2007:

	Year ended 31 December				
	2007	2006	2005	2004	2003
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
			(Note a)	(Note b)	
RESULTS					
Turnover	**2,209.7**	2,699.4	1,767.9	1,455.8	1,470.6
Profit before taxation	**2,031.9**	1,009.5	524.0	107.8	29.1
Taxation	**(191.9)**	(183.6)	(89.6)	(10.0)	(6.3)
Profit for the year	**1,840.0**	825.9	434.4	97.8	22.8
Attributable to:					
Equity holders of the Company	**1,735.9**	738.3	368.5	92.1	18.5
Minority interests	**104.1**	87.6	65.9	5.7	4.3
	1,840.0	825.9	434.4	97.8	22.8

	At 31 December				
	2007	2006	2005	2004	2003
	HK$'M	HK$'M	HK$'M	HK$'M	HK$'M
			(Note a)	(Note b)	
ASSETS AND LIABILITIES					
Total assets	**14,835.7**	4,783.6	4,768.1	3,036.4	2,711.5
Total liabilities	**(6,342.7)**	(1,855.6)	(2,784.0)	(1,610.7)	(1,395.9)
Minority interests	**(1,393.2)**	(215.2)	(127.5)	(61.8)	(57.1)
Equity attributable to the equity holders of the Company	**7,099.8**	2,712.8	1,856.6	1,363.9	1,258.5

Notes:

(a) The effect of adoption of HKAS 32 "Financial instruments: disclosure and presentation" and HKAS 39 "Financial instruments: recognition and measurement" was adjusted to the opening balance of reserves for the year ended 31 December 2005 in accordance with the transitional provisions of HKAS 32 and HKAS 39. The figures prior to 2005 have not been restated to reflect this change.

(b) The effect of early adoption of HKAS 40 "Investment property" was adjusted to the opening balance of reserves for the year ended 31 December 2004 in accordance with the transitional provisions of HKAS 40. The figures prior to 2004 have not been restated to reflect this change.