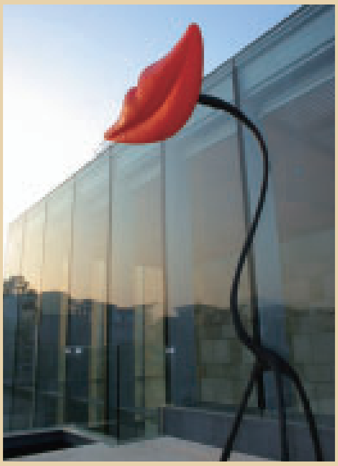
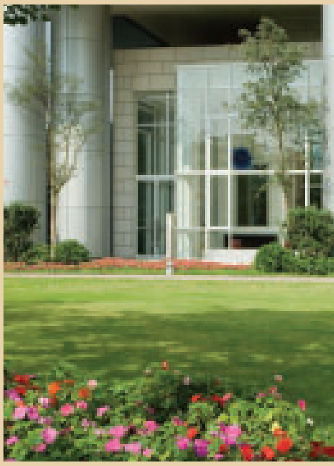
USI HOLDINGS LIMITED
富聯國際集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 369)

ANNUAL REPORT 2008





** For identification purpose only*

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-Executive Directors

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

Independent Non-Executive Directors

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

AUDIT COMMITTEE MEMBERS

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

REMUNERATION COMMITTEE MEMBERS

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

COMPANY SECRETARY AND CHIEF FINANCIAL OFFICER

FUNG Ching Man, Janet

AUDITOR

PricewaterhouseCoopers

LEGAL ADVISERS TO THE COMPANY

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

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited
Standard Chartered Bank (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: (from left to right) Forfar, The Giverny, The Grandville

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Financial Highlights

For the year ended 31 December	The Group 2008 HK$'M	2007 HK$'M
Revenue	1,664.5	2,209.7
Profit from operations	394.8	2,042.0
Profit for the year	272.0	1,840.0
Profit attributable to equity holders of the Company	193.4	1,735.9
Earnings per share for profit attributable to equity holders of the Company		
Basic	$0.20	$2.32
Diluted	$0.20	$2.31

At 31 December		
Total assets	15,788.0	14,835.7
Total equity	8,680.2	8,493.0

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, Hong Kong	60%
Lanson Place Jin Lin Tian Di, Shanghai	23.4%
Lanson Place Central Park Residences, Beijing	100%
Shanghai Infinti, 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%
Forfar – Kowloon Tong	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%
9A-9H Seymour Road and 5A, 5B, 6, 6A, 7 and 7A, Ying Fai Terrace, Mid-Levels	30%
Lancaster Gate, United Kingdom	47.5%
Kovan Melody, Singapore	21.5%
Belle Vue Residences, Singapore	23.8%
Property Development in Shenyang	20%
Management Services	
Lanson Place Hospitality Management	100%
USI Properties	100%

Apparel

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

Chairman's Statement

Hong Kong's market conditions deteriorated sharply during the last quarter of 2008 as a result of the melt down of the global financial system. Against this backdrop, revenue of the Group in 2008 decreased by 24.7% to HK$1,664.5 million while net profit declined 88.9% to HK$193.4 million.

2008 was a year of business consolidation for USI Holdings Limited after the Group significantly expanded its business platform through a number of major acquisitions and joint venture initiatives in the preceding two years. Following the Group's successful transition into a full-fledged property group with multiple platforms in residential development, property investment and hospitality asset investment and management, we have been focusing on building the earnings stream of each of these business areas for the coming years.

Our residential development projects in Hong Kong and Singapore, with an aggregate gross floor area totaling 2.6 million square feet (our attributable share of approximately 550,000 square feet), have progressed according to schedule. Bank financing for these projects is in place. In

China, land acquisition and master planning of the 960,000-square-meter site in the joint-venture development with Hongkong Land Group in Shenyang have been completed. Construction of the initial phase is expected to commence in 2009. We are confident that these development projects in Hong Kong, Singapore and China will generate earnings and cashflow to the Group in the next few years.

Following the completion of Landmark East in the fourth quarter of 2008, the Group has invested in a portfolio of 3.5 million square feet of quality commercial and industrial properties through Winsor Properties. Despite the deterioration of the local rental market in the last quarter of 2008, W Square was fully leased and the Group managed to maintain an average occupancy of more than 90% for all of its industrial properties last year. With the current economic downturn where all businesses are looking for more cost effective solutions, Landmark East provides an attractive alternative to multi-national companies in meeting their office accommodation requirements. The leasing of Landmark East has seen increased interest from potential corporate tenants and there has been a steady growth in occupancy. This portfolio of investment properties will provide stable recurrent income and cashflow to the Group in the coming years.

Lanson Place, our hospitality business arm, continued to expand in Asia last year through securing more long-term management contracts and strategic equity investments. New contracts were signed for the managing of two serviced residences, one each in Kuala Lumpur and Shanghai. The tenure for both residences is 10 years. In April 2008, Lanson Place acquired a 50% stake in a joint venture to invest in a 115-unit luxury serviced residences development in Kuala Lumpur to strengthen its presence in South East Asia.

Last year, we have also completed the restructuring of our apparel business and I am pleased to report that the restructured manufacturing operation has returned to profitability in the last quarter of 2008.

Looking ahead, 2009 will remain difficult for the markets where we operate. The Group will continue to closely monitor for changes in the macroeconomic environment and adjust our business strategy accordingly if necessary. Over the last few years, the Group has continued to build a balanced and diversified platform of property developments and investments across the residential, commercial and hospitality sectors. We are in a position to withstand downturns such as we are now experiencing and have the balance sheet and cashflows to enable us to grow when the markets improve.

I would like to thank our shareholders for their support. I also would like to take this opportunity to express my gratitude to our management and staff for their contribution and hard work during this challenging period.

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 17 April 2009

Management Discussion and Analysis

Business Review

For the year ended 31 December 2008, the Group reported a consolidated profit attributable to equity holders of HK$193.4 million, compared with HK$1,735.9 million in 2007. The decrease in profit for the year was mainly due to a HK$1,168.6 million discount on acquisition in 2007 arising from the excess of the Group's share of fair value of net assets of Winsor Properties Holdings Limited ("Winsor Properties") acquired over the cost of acquisition, impairment on strategic investments (net of minority interest) of HK$186.6 million and a lower profit of HK$437.4 million from sales of properties due to fewer units sold in 2008. Revenue for the Group was HK$1,664.5 million in 2008, compared with HK$2,209.7 million in 2007.

Property

The Group's property division, which includes property development, property investment and management, and hospitality investment and management, recorded a segment profit of HK$798.4 million for the year ended 2008, compared with HK$1,110.2 million in 2007.

Property Development

The Group sold four villas of The Giverny in 2008 generating HK$124.9 million in revenue and HK$69.0 million in profit attributable to the Group. Currently, there are only two villas available for sale.

The Group continues to proceed as scheduled with its various development projects in Hong Kong and Singapore which have an aggregate gross floor area of approximately 2.6 million square feet, of which, approximately 550,000 square feet is attributable to the Group. All these projects are for the development of luxurious residential properties. Under the current schedule, these projects are expected to be ready for market launch in the next few years.

In Hong Kong, "Forfar", our residential development at 2 Forfar Road in Kowloon Tong, was formally announced in January 2009 in a naming ceremony. The development is currently applying for pre-sale approval. On the construction front, the development is progressing according to plan and the occupation permit is expected to be obtained by end of 2009.

The Tai Po Town Lot Nos 186, 187 and 188 projects, will be developed into luxurious low-density residential developments with a panoramic view of the Tolo Harbour. The construction of the sites are progressing according to plan where foundation works are in progress and superstructure works are expected to commence in the second half of 2009. These projects are expected to be completed in 2011. The Group has a 15% interest in each of the three sites.

Foundation works for the Seymour Road, Mid-Levels project commenced in the second half of 2008 as scheduled under the development's master program. This project is expected to be completed in 2011. The Group has a 30% interest in this project.

In Singapore, superstructure works are underway for Belle Vue Residences, a luxurious development located at 15-33 Oxley Walk offering a 5 storey condominium and 176 units. This project is expected to be completed in 2010. The Group has a 30% interest in this project.

In China, the Group's 40/60 joint venture with Hongkong Land Group ("China JV") has acquired its first comprehensive property development project in Shenyang in the Pan Bohai Rim Region. The China JV, through cooperation with a local partner, holds 50% interest in a few development sites totaling approximately 960,000 square metres in the Shenbei District and the Hunnan District for the development of high quality residences. Land acquisitions and master planning have been completed. Design for initial phases of two sites is underway and construction work is expected to commence in 2009.

Property Investment and Management

The Group's interest in the commercial, industrial and retail properties in Hong Kong is held through its subsidiary, Winsor Properties. As at 31 December 2008, the Group's portfolio of investment property amounted to 3.5 million square feet, of which 1.4 million square feet is Grade A office building and retail spaces, with total fair market valuation of HK$8,708 million. Both Landmark East and W Square were reclassified from "Property Under Development" to "Investment Property" in 2008 upon completion of the development.

Landmark East, the 1.33 million square feet twin-tower Grade A office development in Kwun Tong, obtained an occupation permit in September 2008. Initial vacancy uptake is satisfactory following active marketing and leasing campaigns commenced since the fourth quarter of 2008. W Square in Wan Chai is 100% committed and 94% occupied as at 31 December 2008.

As at 31 December 2008, the Group's portfolio of industrial buildings in Hong Kong amounted to 2.1 million square feet with a fair market valuation of HK$2,325 million. The overall occupancy rate was approximately 92%, slightly down from the 95% in 2007.

Hospitality Investment and Management

In 2008, Lanson Place has continued to reinforce our brand in various Asian markets, grow our various projects and operations through strategic equity investment, and secure more long term management contracts.

In May 2008, the Group formed a 50/50 joint venture with DNP Holdings Berhad, a subsidiary of Wing Tai Holdings Limited, to acquire a luxurious residential development in the central business district of Kuala Lumpur, Malaysia. A 10-year management contract has been signed with operation expected to commence in 2011.

In January 2009, the Group entered into a new 10-year management contract in the PRC for a serviced residence in Pudong district of Shanghai. The Group targets to commence operation towards the end of 2009. The Group now has eight 10-year management contracts on hand in Hong Kong, China and South East Asia.

Lanson Place Hong Kong, one of the leading boutique hotels in Hong Kong and Lanson Place Jinlin Tiandi Residences in Shanghai have maintained satisfactory occupancy rates in 2008. Lanson Place Central Park Residences in Beijing, a new luxurious serviced residence opened in June 2008 before the Olympics, has progressively built up occupancy.

Apparel

The Group's apparel operation, which comprises garment manufacturing, trading and branded products distribution, generated an aggregate revenue of HK$1,123.6 million in 2008 compared with HK$1,189.6 million in 2007. The segment loss of HK$38.8 million for the year was mainly from the discountinued garment manufacturing and trading operations, as compared with a loss of HK$151.1 million in 2007.

The restructuring plan determined in late 2007 was carried out on schedule and completed by late 2008. All loss-making manufacturing and trading business units were closed or sold in 2008.

Investing Activities

The Group's investing activities reported a segment loss of HK$220.7 million for the year 2008, compared with a loss of HK$18.4 million in 2007. The loss is mainly due to a provision for impairment of strategic investments held for long term of HK$235.4 million. This impairment provision has no impact on the cash flow for the Group's operation and accordingly does not affect the Group's core business.

Financial Review

Liquidity and Financial Resources

The Group's net assets totaled HK$8,680.2 million as at 31 December 2008 (31 December 2007: HK$8,493.0 million). The increase was mainly resulted from the profit for the year of HK$272.0 million and the distribution of the 2007 final dividend of HK$64.2 million and 2008 interim dividend of HK$34.6 million.

As at 31 December 2008, the Group's net borrowings (total bank borrowings and other long-term loans less bank balances and cash) was HK$4,468.6 million (31 December 2007: HK$2,361.6 million), representing 51.5% of the Group's net assets (31 December 2007: 27.8%). The increase in net borrowings and gearing ratio was mainly due to increase in construction loans on property development projects in 2008. Interest for the Group's bank borrowings was mainly on a floating rate basis. Around 90% of the Group's bank borrowings was repayable in periods beyond one year. The Group had unutilised banking facilities other than term loan facilities in excess of HK$982.3 million as at 31 December 2008 (31 December 2007: HK$591.0 million).

Foreign Currencies

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

Contingent Liabilities

As at 31 December 2008, the Group's contingent liabilities were guarantees given to banks of HK$420.6 million (31 December 2007: HK$421.4 million).

Pledge of Assets

At 31 December 2008, the Group's advances to associates/jointly controlled entities of HK$1,158.6 million (31 December 2007: HK$863.2 million) were subordinated to the loan facilities of associates/jointly controlled entities. The Group's advances to the associates/jointly controlled entities include amounts of HK$1,158.6 million (31 December 2007: HK$824.5 million) which are assigned, and the shares in these associates/jointly controlled entities beneficially owned by the Group are pledged to the financial institutions.

At 31 December 2008, certain of the Group's investment properties, freehold properties, leasehold land and land use rights, leasehold buildings, strategic investments, properties for sale, and bank deposits with carrying values of HK$10,005.3 million, HK$47.1 million, HK$38.3 million, HK$81.7 million, HK$89.8 million, HK$2,943.1 million and HK$80.2 million respectively were pledged to secure credit facilities for the Group.

Prospect

Business environment will remain challenging in the year ahead as economic stimulus measures undertaken by different governments have yet to show their impact on the global economy. The Hong Kong property market is expected to remain weak and volatile in 2009. In the face of the uncertain economic outlook, it is imperative that we focus on maintaining a healthy balance sheet and a stable recurrent income to weather the current economic storm. We will work conscientiously to enhance our core strengths which will place us in a better position to take advantage of opportunities in the market when they present in the future.

Given the supply of new residential units remains low in the next few years, we believe that there will be right market windows for us to launch our residential developments.

Our investment properties are the Group's valuable assets with strong income generating abilities. Our industrial property portfolio has maintained a satisfactory occupancy level and our focus is on retaining the existing tenancies to ensure a steady recurrent income for the Group.

The operating environment of the hospitality business is expected to deteriorate as a result of sagging leisure and business travel. As Lanson Place has successfully built its critical mass and a sound foundation in the last two years, it will aim at optimizing its operations to achieve greater cost efficiency. In the longer run, the Group is optimistic that Lanson Place can replicate its success in Shanghai and Beijing in other major mainland cities. We will also focus on securing more management contracts with property owners that can further strengthen our market presence.

China's stimulus package and its policy support have helped to stabilize the market but its positive impact is yet to be seen. China's property market will continue to be volatile. We shall remain vigilant to opportunities for the launch of our development.

The Group strongly believes that its strategy of prudently managing its operations while being very strategic with its investment will help it withstand the effects of the present difficulties and enable the Group to reap benefits when the market conditions improve in the future.

Employees

As at 31 December 2008, the Group had about 3,800 staff and workers. The Group offers comprehensive remuneration and benefit packages to its employees, which are structured according to the prevailing salary levels in the market, individual merit and performance. The Group has a mandatory provident fund scheme to provide retirement benefits for all of its employees in Hong Kong. In addition, there is a defined contribution top-up scheme for qualifying employees of certain Hong Kong subsidiaries of the Group. The Group also operates a funded defined benefit pension scheme for certain overseas employees engaged prior to May 2001.

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

Directors and Senior Management Profile

Executive Directors

Mr. CHENG Wai Chee, Christopher *GBS OBE JP*, aged 60, 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 and member of the Audit Committee and Nomination Committee of Winsor Properties Holdings Limited ("Winsor"). Mr. Cheng is director of several listed companies in Hong Kong, including NWS Holdings Limited, New World China Land Limited, PICC Property and Casualty Company Limited, Kingboard Chemical Holdings Limited and Champion Real Estate Investment Trust. He is also a director of DBS Group Holdings Ltd which is listed in Singapore. Mr. Cheng graduated from the University of Notre Dame, Indiana with a BBA degree, and also graduated from Columbia University, New York 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 and a board member of Overseers of Columbia Business School, 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 is a director of Wing Tai Corporation Limited which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance.

Mr. CHENG Wai Sun, Edward *SBS JP*, aged 53, was appointed executive director and 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 and an independent non-executive director of Television Broadcasts Limited and Orient Overseas (International) Limited. Mr. Cheng has a master degree from Oxford University. He was qualified as a solicitor in England and Wales as well as in Hong Kong.

Mr. Cheng has many years of public service experience in urban renewal, housing, finance, corruption prevention, technology and education. He is currently a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption and the University Grants Committee. 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 56, was appointed executive director of the Company in 1991. He is the Assistant Managing Director of Wing Tai Corporation Limited (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance). 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 59, was appointed executive director of the Company in 2007. He is the Managing Director and a member of the Remuneration Committee of Winsor. 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 was the Deputy Managing Director of Winsor Industrial Corporation, Limited (a company delisted in Hong Kong Stock Exchange in December 2006). Mr. Chow 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 51, 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 49, 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. He was an alternate director to Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward of Winsor until his appointment as an executive director of Winsor in October 2007. 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 *JP*, aged 55, was appointed non-executive director of the Company in 1991. He is the Vice Chairman and Managing Director of Sun Hung Kai Properties Limited (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance). 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. and 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 and Vice-Chairman of the Council of The Chinese University of Hong Kong. He was a Member of the Hong Kong Port Development Council until 31 December 2008.

Mr. WONG Yick Kam, Michael, aged 57, was appointed non-executive director of the Company in 2002. Mr. Wong is also an alternate director to Mr. Kwok Ping Luen, Raymond and a member of the Audit Committee of the Company. He obtained his Bachelor of Business Administration and Master of Business Administration degrees from The Chinese University of Hong Kong. Mr. Wong is an executive director of Sun Hung Kai Properties Limited (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance) and SUNeVision Holdings Ltd. and also a non-executive director of SmarTone Telecommunications Holdings Limited. He resigned as the Deputy Chairman and non-executive director of Roadshow Holdings Limited in November 2008.

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 and a member of the Steering Committee on Child Development Fund of the Hong Kong Government. He is also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong and a member of the Council of The Open University of Hong Kong.

Mr. HONG Pak Cheung, William, aged 54, was appointed non-executive director of the Company in 2002. He is an alternate Audit Committee member to Mr. Wong Yick Kam, Michael. 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 (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance).

Mr. LOH Soo Eng, aged 68, 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 an independent director of Wing Tai Holdings Limited (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance and listed in Singapore). His past experiences are in power station, oil company, shipbuilding and shiprepairing industries as well as banking. 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. Mr. Loh was elected 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 69, 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 of Asia Pacific for the Deutsche Bank Group. He is a director of a number of listed companies in Hong Kong including Cheung Kong (Holdings) Limited, Orient Overseas (International) Limited and Arnhold Holdings Limited. He is also a non-executive director of Vodafone Group Plc (whose shares are listed on the London and New York Stock Exchange), Compagnie Financière Richemont SA (whose shares are listed on SWX Swiss Exchange) and an independent director of Sino-Forest Corporation (whose shares are listed on the Toronto Stock Exchange).

Mr. FANG Hung, Kenneth *GBS CBE JP*, aged 70, 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. He is also the Chairman of Times Ltd. and Yeebo (International Holdings) Limited, both of the companies listed on the Main Board of the Hong Kong Stock Exchange. Mr. Fang is also an independent non-executive director of Jiangsu Expressway Company Limited (listed both on the Hong Kong Stock Exchange and the Shanghai Stock Exchange). Mr. Fang graduated from Massachusetts Institute of Technology, U.S.A. in 1961 with a Master's degree in Chemical Engineering. He was also conferred an Honorary Degree of Doctor of Business Administration by the Hong Kong Polytechnic University in 2005. He is an Honorary Chairman of the Hong Kong Textile Council, an Honorary President of the Hong Kong Woollen and Synthetic Knitting Manufacturers' Association and the Chairman of the board of directors of the Hong Kong Research Institute of Textile and Apparel.

Mr. YEUNG Kit Shing, Jackson, aged 59, 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 69, 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 54, 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 and a Master'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 52, is the Executive Director of China Investment and is responsible for overseeing the Group's investments in China. Prior to joining the Group, he was an executive director of Sunday Communications Limited. Mr. Leung 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 47, 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 46, joined the Group in 2007. She is the Chief Financial Officer 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 2008.

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 other investing activities. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

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

Details of the Company's principal subsidiaries, the Group's principal associates and jointly controlled entities at 31 December 2008 are set out in notes 44 to 46 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2008 are set out in the consolidated income statement on page 49.

An interim dividend of HK3.5 cents (2007: HK 5.0 cents) per share, amounting to a total of about HK$34.6 million, was paid to shareholders in October 2008.

The Directors recommend the payment of a final dividend of HK1.5 cents per share for the year ended 31 December 2008 (2007: HK6.5 cents per share) to shareholders whose names appear on the Register of Members of the Company on 4 June 2009, which together with the interim dividend payment amounts to a total of approximately HK$49.4 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 15 June 2009.

Share Capital

Movements in the Company's authorised and issued share capital are set out in note 34 to the financial statements.

Reserves

Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on page 53 and those of the Company are set out in note 36 to the financial statements.

Investment Properties

The Group revalued its investment properties as at 31 December 2008 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 2008 is set out on pages 145 to 148.

Properties under Development

Details of the Group's properties under development held for sale as at 31 December 2008 are set out on page 149. 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 2008 are set out in note 17 to the financial statements.

Donations

During the year, the Group made charitable and other donations totaling HK$0.5 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 OBE JP* *(Chairman)*
Cheng Wai Sun, Edward *SBS JP* *(Deputy Chairman and Chief Executive)*
Cheng Man Piu, Francis
Chow Wai Wai, John
Ng Tak Wai, Frederick
Au Hing Lun, Dennis

Non-executive directors:
Kwok Ping Luen, Raymond
Wong Yick Kam, Michael *(also an alternate to Kwok Ping Luen, Raymond)*
Hong Pak Cheung, William
Loh Soo Eng

Independent non-executive directors:
Simon Murray *CBE*
Fang Hung, Kenneth *GBS CBE JP*
Yeung Kit Shing, Jackson

In accordance with Bye-law 100(A) of the Company's Bye-laws, Mr. Ng Tak Wai, Frederick, Mr. Au Hing Lun, Dennis, Mr. Wong Yick Kam, Michael and Mr. Simon Murray will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

According to the Bye-laws of the Company, all Directors, except the Chairman of the Company, or managing director are subject to retirement by rotation. In order to comply with the code provisions of the Code on Corporate Governance Practices set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), Mr. Cheng Wai Chee, Christopher, Chairman of the Company, has undertaken that he shall voluntarily retire by rotation every three years. Mr. Cheng Wai Chee, Christopher will retire at the forthcoming annual general meeting and, being eligible, offer himself 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 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 in Shares and Underlying Shares and Debentures of the Company or any Associated Corporation

As at 31 December 2008, the interests of the Directors and the Chief Executive of the Company in shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

1. Interests in the Company

	Number of ordinary shares held						
Director	Personal interests	Family interests	Corporate interests	Other interests	Number of underlying shares held under equity derivatives (Note e)	Aggregate interests	Approx. percentage of the issued share capital (Note a)
Cheng Wai Chee, Christopher	3,030,749	–	148,439,086 (Note b)	346,466,024 (Note c)	895,250	498,831,109	50.44%
Cheng Wai Sun, Edward	2,954,750	–	–	346,466,024 (Note c)	895,250	350,316,024	35.42%
Cheng Man Piu, Francis	–	–	–	346,466,024 (Note c)	–	346,466,024	35.03%
Ng Tak Wai, Frederick	195,500	762,000	–	–	70,500	1,028,000	0.10%
Au Hing Lun, Dennis	621,750	–	–	–	334,250	956,000	0.10%
Kwok Ping Luen, Raymond	–	–	–	6,918,425 (Note d)	–	6,918,425	0.70%
Simon Murray	–	–	–	–	1,000,000	1,000,000	0.10%

Notes:

(a) The total number of issued shares in the capital of the Company (the "Shares") as at 31 December 2008 was 988,980,418.

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

(c) Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis were beneficiaries of a family trust whose assets include indirect interests in 346,466,024 Shares beneficially owned by Brave Dragon Limited, Wing Tai Retail Pte. Ltd. and Crossbrook Group Limited as set out under the section headed "Substantial Shareholders' Interests" below.

(d) Mr. Kwok Ping Luen, Raymond was a beneficiary of a trust the assets of which included interests in 6,918,425 Shares.

(e) These interests represented the interests in underlying shares in respect of the share options or incentive shares granted by the Company to these directors as beneficial owners, details of which are set out in the section below headed Share Option Scheme or Share Incentive Scheme.

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

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

Notes:

(a) The total number of issued shares in the capital of Winsor as at 31 December 2008 was 259,685,288.

(b) Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis were beneficiaries of a family trust whose assets include indirect interests in 205,835,845 shares of Winsor ("Winsor Shares") beneficially owned by Twin Dragon Investments Limited (42,900,887 Winsor Shares), Shui Hing Textile International Limited (90,500 Winsor Shares) and the Company (162,844,458 Winsor Shares).

Save as disclosed herein, as at 31 December 2008, none of the Directors or the Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

Details of the share options granted and summary of the movements of the outstanding share options for the year ended 31 December 2008 under the Share Option Scheme are as follows:

Director	Date of grant	Exercise price per ordinary share	Number of share options: As at 1.1.2008	Grant during the year	Exercised during the year	Cancelled/ Lapsed during the year	As at 31.12.2008	Exercisable period
Simon Murray	19.4.2005	HK$2.125	1,000,000	–	–	–	1,000,000	19.4.2006 to 18.4.2010

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.

Details of the Share Option Scheme of the Company are set out in note 35 to the financial Statements.

Share Incentive Scheme

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

Details of the incentive shares granted and summary of the movements of the outstanding incentive shares for the year ended 31 December 2008 under the Share Incentive Scheme are as follows:

		Number of incentive shares						
Director	Date of award	As at 1.1.2008	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2008	Vesting date/period of the outstanding awards	Exercisable period
Cheng Wai Chee, Christopher	13.9.2005	300,000	–	300,000	–	–	N/A	N/A
	25.4.2006	409,500	–	136,500	–	273,000	12.1.2009	12.1.2009 to 11.1.2016
	26.7.2007	327,000	–	81,750	–	245,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	8.7.2008	–	94,250	–	–	94,250	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	–	94,250	–	–	94,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	–	188,500	–	–	188,500	30.1.2011	30.1.2011 to 8.7.2018

Director	Date of award	Number of incentive shares: As at 1.1.2008	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2008	Vesting date/period of the outstanding awards	Exercisable period
Cheng Wai Sun, Edward	13.9.2005	300,000	–	300,000	–	–	N/A	N/A
	25.4.2006	409,500	–	136,500	–	273,000	12.1.2009	12.1.2009 to 11.1.2016
	26.7.2007	327,000	–	81,750	–	245,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	8.7.2008	–	94,250	–	–	94,250	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	–	94,250	–	–	94,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	–	188,500	–	–	188,500	30.1.2011	30.1.2011 to 8.7.2018
Ng Tak Wai, Frederick	13.9.2005	45,000	–	45,000	–	–	N/A	N/A
	25.4.2006	44,250	–	14,750	–	29,500	12.1.2009	12.1.2009 to 11.1.2016
	8.7.2008	–	10,250	–	–	10,250	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	–	10,250	–	–	10,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	–	20,500	–	–	20,500	30.1.2011	30.1.2011 to 8.7.2018

Director	Date of award	As at 1.1.2008	Awards made during the year	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2008	Vesting date/period of the outstanding awards	Exercisable period
		Number of incentive shares						
Au Hing Lun, Dennis	13.9.2005	75,000	–	75,000	–	–	N/A	N/A
	25.4.2006	82,500	–	27,500	–	55,000	12.1.2009	12.1.2009 to 11.1.2016
	26.7.2007	131,000	–	32,750	–	98,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	8.7.2008	–	45,250	–	–	45,250	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	–	45,250	–	–	45,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	–	90,500	–	–	90,500	30.1.2011	30.1.2011 to 8.7.2018
Employees	13.9.2005	112,500	–	112,500	–	–	N/A	N/A
	25.4.2006	159,750	–	53,250	–	106,500	12.1.2009	12.1.2009 to 11.1.2016
	29.6.2006	15,000	–	5,000	–	10,000	29.6.2009	29.6.2009 to 28.6.2016
	26.7.2007	288,000	–	72,000	–	216,000	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	26.7.2007	37,000	–	9,250	–	27,750	17.7.2009 to 17.7.2010	17.7.2009 to 26.7.2017
	8.7.2008	–	127,250	–	–	127,250	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	–	127,250	–	–	127,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	–	254,500	–	–	254,500	30.1.2011	30.1.2011 to 8.7.2018
		3,063,000	1,485,000	1,483,500	–	3,064,500		

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

Details of the Share Incentive Scheme of the Company are set out in note 35 to the financial statements.

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

Substantial Shareholders' Interests

As at 31 December 2008, the following persons (other than the Directors and the Chief Executive of the Company) had interests in the shares of the Company as recorded in the register kept by the Company under section 336 of the SFO:

Name of Shareholder	Number of Shares interested	Approx. percentage of the issued share capital
Brave Dragon Limited	106,345,862	10.75%
Crossbrook Group Limited	202,808,162	20.50%
Wing Tai Holdings Limited	346,466,024	35.03% (Note 2)
Deutsche Bank International Trust Co. (Jersey) Limited	346,466,024	35.03% (Note 3)
Deutsche Bank International Trust Co. (Cayman) Limited	346,466,024	35.03% (Note 3)
Wing Tai Corporation Limited	135,446,118	13.70% (Note 4)
Renowned Development Limited	135,446,118	13.70% (Note 4)
Wing Tai (Cheng) Holdings Limited	148,439,086	15.01% (Note 5)

Name of Shareholder	Number of Shares interested	Approx. percentage of the issued share capital
Sun Hung Kai Properties Limited	136,956,400	13.85% (Note 6)
Gala Land Investment Co Ltd	76,184,600	7.70%
Franham Group Ltd	76,184,600	7.70% (Note 7)
Chou Wen Hsien	112,824,744	11.41% (Note 8)
Chou Yim Wan Chun, Ina	112,824,744	11.41% (Note 8)
Chow Chung Kai	112,609,202	11.39% (Note 9)
Chow Yu Yue Chen	112,609,202	11.39% (Note 9)

Notes:

(1) The total number of issued Shares as at 31 December 2008 was 988,980,418.

(2) Wing Tai Holdings Limited beneficially owned 89.4% of the issued share capital of Brave Dragon Limited, 100% of the issued share capital of Crossbrook Group Limited and 100% of the issued shares capital of Wing Tai Retail Pte. Ltd. Wing Tai Retail Pte. Ltd. owned 37,312,000 Shares.

(3) Deutsche Bank International Trust Co. (Jersey) Limited was the trustee of a family trust (of which Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis were beneficiaries) which held all units of a unit trust ("Unit Trust"). Deutsche Bank International Trust Co. (Cayman) Limited was the trustee of the Unit Trust which beneficially owned 100% of the issued shares of Wing Tai Asia Holdings Limited and 61.3% of the issued shares of Terebene Holdings Inc. Wing Tai Asia Holdings Limited, through its wholly-owned subsidiary, Wing Sun Development Private Limited, held 28.08% of the issued shares of Wing Tai Holdings Limited. Terebene Holdings Inc. held 59.3% of the issued shares of Winlyn Investment Pte Ltd. which in turn held 9.19% of the issued shares of Wing Tai Holdings Limited.

(4) Wing Tai Corporation Limited beneficially owned 100% of the issued share capital of Bestime Resources Limited ("Bestime") and Pofung Investments Limited ("Pofung") and, therefore, by virtue of its corporate interest in Bestime and Pofung, Wing Tai Corporation Limited was deemed to be interested in 68,747,996 Shares and 66,698,122 Shares held by Bestime and Pofung respectively.

By virtue of the corporate interest of Renowned Development Limited in Wing Tai Corporation Limited, the former was deemed to be interested in the latter's interest in the Shares.

(5) By virtue of the corporate interest of Wing Tai (Cheng) Holdings Limited in Renowned Development Limited and Broxbourne Assets Limited, Wing Tai (Cheng) Holdings Limited was deemed to be interested in the interest of Renowned Development Limited and Broxbourne Assets Limited in the Shares. Broxbourne Assets Limited beneficially owned 12,992,968 Shares.

(6) Sun Hung Kai Properties Limited ("SHKP") beneficially owned 100% of the issued share capital of Wesmore Limited ("Wesmore"), Fourseas Investments Limited ("Fourseas"), Junwall Holdings Ltd ("Junwall"), Sunrise Holdings Inc. ("Sunrise") and Country World Ltd. ("Country World"). Wesmore held 83,946,158 Shares.

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

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

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

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

By virtue of the corporate interest of SHKP in the aforesaid companies, SHKP was deemed to be interested in the interest of Wesmore, Soundworld, Units Key, Triple Surge, Techglory, Charmview and Erax Strong in the Shares.

(7) Franham Group Ltd beneficially owned 100% of the issued share capital of Gala Land Investment Co Ltd ("Gala Land"), therefore, it was deemed to be interested in the Shares held by Gala Land by virtue of its corporate interest in it.

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

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

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

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

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

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

Save as disclosed above, as at 31 December 2008, the Company had not been notified of any interests or short positions held by any substantial shareholder in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Interests of Any Other Persons

As at 31 December 2008, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

Directors' Interests in Contracts

On 4 December 2008, a contract entered into between Gieves Limited ("Gieves"), an indirect subsidiary of the Company, and Wensum Tailoring Limited ("Wensum") under which Gieves may place orders with Wensum for supply of certain finished tailored menswear or their components for the three years ending on 31 December 2011. Each of Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis has an indirect interest in the share capital of Wensum.

On 23 April 2008, a contract entered into between the Company, DNP Holdings Berhad ("DNP") and Kualiti Gold Sdn Bhd (the "JV Company") relating to the formation of the JV Company for the purposes of acquiring a building in Kuala Lumpur (the "Development"), fitting out and operating the Development as serviced apartments. Each of Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis has an indirect interest in the share capital of DNP and the JV Company.

On 31 October 2006, a contract entered into between Gieves and Wensum under which Gieves may place orders with Wensum for supply of certain finished tailored menswear or their components for the three years ended on 31 December 2008. Each of Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis has an indirect interest in the share capital of Wensum.

Save as disclosed above, 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, Cambodia and Mauritius 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. 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. Also, Mr. Kwok is a member of the Kwok Family which maintains certain personal and deemed interests in the businesses consisting of property developments and investments in Hong Kong and Singapore. Only in these respects he is regarded to be interested in the relevant competing business with the Group.

Other than the family businesses of the Kwok Family, 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

Set out below is information in relation to connected transactions which were disclosed in the Company's announcements and are required under Chapter 14A of the Listing Rules to be included in this annual report:

I) Connected Transactions

1. The Company, DNP and the JV Company entered into a joint venture and shareholders' agreement (the "JV Agreement") on 23 April 2008 relating to the JV Company for the purposes of acquiring a building in Kuala Lumpur of Malaysia (the "Development"), fitting out and operating the Development as serviced apartments (the "Transaction"). Pursuant to the terms of the JV Agreement, Glory Strength International Limited, a wholly owned-subsidiary of the Company, acquired a 50% interest in the JV Company and the remaining 50% interest was owned by DNP.

   The total commitment of the Company and its subsidiaries (the "Group") to the JV Company is not expected to exceed HK$258,750,000 in respect of the Transaction.

   Wing Tai Holdings Limited ("WTHL") is a substantial and controlling shareholder of the Company and DNP is a subsidiary of WTHL, DNP therefore is a connected person of the Company under the Listing Rules. Accordingly, the Transaction constituted a discloseable and connected transaction of the Company under the Listing Rules.

   The Transaction was approved by the independent shareholders of the Company at a special general meeting held on 6 June 2008.

2. On 18 December 2008, Unimix Holdings Limited (as the guarantor) and Unimix Limited ("Unimix") (as the seller) entered into a conditional sale and purchase agreement (the "Agreement") with Everfield Holdings Limited ("Everfield") (as the purchaser). Both Unimix Holdings Limited and Unimix are wholly-owned subsidiaries of the Company. Pursuant to the Agreement, Unimix agreed to sell and Everfield agreed to purchase the entire issued share capital of Universal Glory Holdings (HK) Limited ("Universal Glory") at a consideration of HK$5,200,000, subject to post-completion adjustment (the "Disposal").

   Universal Glory is an investment holding company. It holds the entire issued share of and in Universal Glory (Cambodia) Ltd. ("Universal Glory Cambodia"). Universal Glory Cambodia is engaged in the business of garment manufacturing. Both of Universal Glory and Universal Glory Cambodia ceased to be subsidiaries of the Company on completion of the Agreement which took place on 31 December 2008.

   Everfield is a wholly-owned subsidiary of Wing Tai Corporation Limited ("Wing Tai") which is a substantial shareholder of the Company. Therefore, each of Everfield and Wing Tai is a connected person of the Company and the Disposal constituted a connected transaction of the Company under Chapter 14A of the Listing Rules.

3. On 4 February 2009, Shui Hing Textiles International Limited ("Shui Hing"), an indirect wholly-owned subsidiary of the Company, and Mr. Hung Chi Kin entered into a sale and purchase agreement (the "S&P Agreement"). Pursuant to the S&P Agreement, Mr. Hung Chi Kin agreed to sell and Shui Hing agreed to purchase 600,000 ordinary shares of HK$1.00 each of and in share capital of Shui Pang Garment & Knitting Factory Limited ("Shui Pang") for a consideration of HK$2,550,000 (the "Acquisition"). 600,000 ordinary shares represent 30% of the total issued share capital of Shui Pang. Shui Pang is engaged in the businesses of investment holding, garment manufacturing and garment trading. The Acquisition was completed on 5 February 2009, whereupon Shui Pang became an indirect wholly-owned subsidiary of the Company.

   As Mr. Hung Chi Kin was a director of certain subsidiaries of the Company and a substantial shareholder of Shui Pang, he was a connected person of the Company and the Acquisition constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

II) Continuing Connected Transactions

1. On 22 June 2005, Lanson Place Hospitality Management Limited ("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 was to manage and operate the serviced apartments known as Jin Lin Tiandi in Shanghai (the "Serviced Apartments") on behalf of WFOE for a term of three years expired on 21 June 2008 (the "Operating Agreement").

   On 22 June 2005, Lanson Place Hotels & Residences (Bermuda) Limited, a wholly-owned subsidiary of the Company, also entered into a licence agreement with the WFOE for granting a royalty-free, non-exclusive licence to the WFOE to use in the PRC certain trademarks in connection with the operation of the Serviced Apartments (the "Licence Agreement").

   On 30 April 2008, Lanson Place entered into a supplemental operating agreement with WFOE to amend the Operating Agreement to extend the term of the Operating Agreement to 21 June 2018 (the "Supplemental Operating Agreement"). As the Licence Agreement provided that its term shall be the same as that of the Operating Agreement, the term of the Licence Agreement is also extended to 21 June 2018 as a result of the execution of the Supplemental Operating Agreement.

   As WFOE is a subsidiary of The Morgan Stanley Real Estate Fund IV International Funds which is a substantial shareholder of a subsidiary of the Company, WFOE is a connected person of the Company and the transactions contemplated under the Operating Agreement (as amended by the Supplemental Operating Agreement) and the Licence Agreement are continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules (the "JinLin Tiandi CCT").

   The total management fee of HK$2,858,000 (2007: HK$2,612,000) received by Lanson Place under the Operating Agreement (as amended by the Supplemental Operating Agreement) and the Licence Agreement for the year ended 31 December 2008 is within the annual cap of HK$3,300,000 for 2008 as set out in the Company's announcement dated 30 April 2008.

2. On 31 October 2006, the Company's indirect wholly-owned subsidiary, Gieves, entered into an agreement with Wensum (the "2006 Agreement"). Pursuant to the 2006 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.

On 4 December 2008, an agreement was entered into between Gieves and Wensum (the "2008 Agreement") to set out the terms and conditions under which Gieves may place orders with Wensum for supply of certain finished tailored menswear or their components for the three years ending on 31 December 2011.

As Wensum is a wholly-owned subsidiary of Wing Tai which is a substantial shareholder of the Company, each of Wensum and Wing Tai is a connected person of the Company and the transactions between Gieves and Wensum constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of such transactions are stated in the announcement dated 4 December 2008 and the circular dated 15 December 2008 of the Company (the "Gieves CCT").

Purchases made by Gieves from Wensum for the year ended 31 December 2008 amounted to GBP3,265,000, which is within the annual cap for the year ended 31 December 2008 of GBP3,500,000 as set out in the Company's announcement dated 21 August 2008.

3. The Company and various of its subsidiaries entered into leases of various units and car parks in Unimix Industrial Centre, No. 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong (the "Unimix Tenancy Agreements") with Unimix Properties Limited ("Unimix Properties") with effect from 25 August 2007, 1 September 2007 and 1 November 2007.

   Unimix Properties became a subsidiary of Winsor Properties Holdings Limited ("Winsor") on 31 December 2007. As a subsidiary of Winsor is a substantial shareholder of two subsidiaries of the Company, Winsor and its subsidiaries (including Unimix Properties with effect from 31 December 2007) are connected persons of the Company under the Listing Rules and the transactions contemplated under the Unimix Tenancy Agreements constitute continuing connected transactions of the Company (the "Unimix CCT"). In this connection, tenancy side letters were entered into between Unimix Properties and certain subsidiaries of the Company on 28 December 2007 to record the aggregate amounts payable under the Unimix Tenancy Agreements will not exceed the annual caps for the three financial years ending 31 December 2010.

   The consideration paid by certain subsidiaries of the Company to Unimix Properties under the Unimix Tenancy Agreements for the year ended 31 December 2008 totaled HK$11.3 million which is within the 2008 annual cap of HK$14.1 million as set out in the Company's announcement dated 12 December 2007.

4. On 20 June 2008, USI Properties Limited ("USIPL"), the Company's wholly-owned subsidiary, entered into certain tenancy agreements (the "W Square Tenancy Agreements") in respect of certain spaces in W Square, Nos. 314-324 Hennessy Road, Wanchai, Hong Kong for a term of 2 years with Winnion Limited ("Winnion") which is a wholly-owned subsidiary of Winsor.

   As Winsor and its subsidiaries are connected persons of the Company, the transactions contemplated under the W Square Tenancy Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules (the "W Square CCT").

   The consideration paid by USIPL to Winnion under the W Square Tenancy Agreements for the year ended 31 December 2008 totaled HK$2.55 million which is within the 2008 annual cap of HK$2.56 million as set out in the Company's announcement dated 20 June 2008.

5. On 8 January 2009, Lanson Place Hospitality Management (Malaysia) Limited ("LP Malaysia"), Lanson Place Hospitality Management (Singapore) Pte Limited ("LP Singapore") and Lanson Place Hotels & Residences (Bermuda) Limited ("LP Bermuda") (collectively the "LP Group Companies") entered into four operating agreements (the "2009 Operating Agreements") and four licence agreements (the "2009 Licence Agreements") with three associates (as defined in the Listing Rules) of WTHL (namely Winshine Investment Pte Ltd ("Winshine"), Seniharta Sdn Bhd ("Seniharta") and Kualiti Gold Sdn Bhd ("Kualiti Gold") (collectively the "WT Associates") for a term of 10 years. Each of the LP Group Companies is a wholly-owned subsidiary of the Company.

   Under the 2009 Operating Agreements, LP Singapore has agreed to provide serviced apartment management services to Winshine, LP Malaysia has agreed to provide hotel apartment management services and serviced apartment management consulting services to Seniharta whereas LP Malaysia has agreed to provide serviced apartment management consulting services to Kualiti Gold.

   Under the 2009 Licence Agreements, LP Bermuda has agreed to grant to the WT Associates the rights to use certain trademarks and tradenames in relation to certain serviced apartment blocks located in Singapore or Malaysia.

   As WTHL is a substantial and controlling shareholder of the Company, each of the WT Associates is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions with the WT Associates contemplated under the 2009 Operating Agreements and the 2009 Licence Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

III) Annual Review of Continuing Connected Transactions

The independent non-executive directors of the Company have reviewed and confirmed that the JinLin Tiandi CCT, the Gieves CCT, the Unimix CCT and the W Square CCT 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 announcements.

In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors of the Company engaged the auditor of the Company to perform certain factual finding procedures on the JinLin Tiandi CCT, the Gieves CCT, the Unimix CCT and the W Square CCT 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 of the Company stating that:

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

(b) with respect to the JinLin Tiandi CCT, the selected samples of the fee amounts have been calculated in accordance with the Operating Agreement (as amended by the Supplemental Operating Agreement) and the Licence Agreement;

(c) with respect to the Gieves CCT, the selected samples of the transactions were in agreement with the invoices from Wensum and in accordance with the terms of the 2006 Agreement;

(d) with respect to the Unimix CCT and the W Square CCT, the selected samples of the rental and management fees paid and payable to the landlords have been calculated in accordance with the terms of Unimix Tenancy Agreements and the W Square Tenancy Agreements; and

(e) such transactions had not exceeded the annual caps as disclosed in relevant announcements.

Major Customers and Suppliers

For the year ended 31 December 2008, 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 revenue. 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 2008, the aggregate amount of financial assistance to and guarantees given for facilities granted to affiliated companies by the Group amounted to HK$3,461.2 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 2008 are presented below:

	Pro-forma combined balance sheet HK$'M	Group's attributable interest HK$'M
Non-current assets	4,589.3	1,262.2
Current assets	3,018.9	947.1
Current liabilities	(1,314.2)	(380.7)
Non-current liabilities	(8,040.7)	(1,456.2)
Amounts and loans due from shareholders	9,513.9	2,380.4
Amounts and loans due to shareholders	(3,538.7)	(1,119.8)
Net assets	4,228.5	1,633.0

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 150 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, 17 April 2009

Corporate Governance Report

1 Compliance with Appendix 14 to the Rules Governing the Listing of Securities ("Listing Rules") on 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 2008.

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 2008, and received confirmations 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 12 to 16 of this annual report.

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 2008 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 2008. 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 2008:

(a) determination of remuneration package of executive directors and senior management for the year ended 31 December 2008; and

(b) review and approval of the proposal of directors' fee for the year ended 31 December 2008, 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 Directors' Remuneration

The directors' remuneration is set out in note 9 to the financial statements on pages 93 to 95 of this annual report.

7 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 primary duties of the Audit Committee include but are not limited to the following:

(i) recommend to the Board on the appointment, reappointment and removal of the external auditors, and approval of their fees, and assessment of their independence;

(ii) discussion of issues arising from the audits and any matters raised by the external auditors;

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

(iv) review of the Company's financial controls, internal control and risk management systems of the Group.

The Audit Committee met three times in 2008. 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 2008:

(a) review of the external auditor's audit plan for the year ended 31 December 2007;

(b) review of the 2008 internal audit plan;

(c) review of the 2007 work progress reports and the works performed by internal audit in 2007;

(d) review of the annual report and results announcement for the year ended 31 December 2007, 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 2007;

(f) review of the 2008 work-in-progress report of internal audit;

(g) review of the interim report and interim results announcement for the six months ended 30 June 2008, with a recommendation to the Board for approval; and

(h) review of the external auditor's report on the review of interim financial statements for the six months ended 30 June 2008.

8 Internal Controls

The Board has the overall responsibility for the operations of the Group's internal control system and review of its effectiveness under the governance of the Audit Committee. In this respect, procedures have been established to safeguard the Group's assets against any possible unauthorised use or disposition with the task 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. The system is established 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 internal control system regularly in considering reviews performed by the Audit Committee, executive management as well as both internal and external auditors with the understanding that such system is an ongoing process to identify, evaluate and manage significant risks faced by the Group. The Group's internal control system has been in place and was functioning effectively for the year under review.

The Group's internal audit department reports 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 focuses. The audit plan is prepared under a risk based approach and covers the Group's significant areas of operations, which are reviewed on an annual basis.

The work carried out by the Group's internal audit department focusing on the internal control are carried out appropriately and functioning as intended. 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 agreed recommendation(s) is to be followed up on a quarterly basis.

For the financial year ended 31 December 2008, the Board through the Audit Committee had conducted a review of the effectiveness of the Group's internal control system as reported by the Group's internal audit department.

9 Meeting Attendance

The attendance of individual members at the Board and Committees meetings in 2008 are detailed in the following table:

	Meetings attended / Eligible to attend		
	Board	Remuneration Committee	Audit Committee
Executive directors			
Mr. Cheng Wai Chee, Christopher	5/6	1/1	N/A
Mr. Cheng Wai Sun, Edward	6/6	1/1	N/A
Mr. Cheng Man Piu, Francis	5/6	N/A	N/A
Mr. Chow Wai Wai, John	6/6	N/A	N/A
Mr. Ng Tak Wai, Frederick	6/6	N/A	N/A
Mr. Au Hing Lun, Dennis	5/6	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	4/6	N/A	3/3
Mr. Hong Pak Cheung, William	6/6	N/A	N/A
Mr. Loh Soo Eng	5/6	N/A	N/A
Independent non-executive directors			
Mr. Simon Murray	3/6	1/1	N/A
Mr. Fang Hung, Kenneth	6/6	1/1	3/3
Mr. Yeung Kit Shing, Jackson	5/6	1/1	3/3

10 Auditors' Remuneration

The remuneration in respect of audit and non-audit services provided by auditors of the Group for the financial year ended 31 December 2008 are HK$5,597,000 (2007: HK$3,894,000) and HK$489,000 (2007: HK$3,101,000) respectively. The remuneration of audit services includes fee on non-assurance work for the financial year ended 31 December 2008 of HK$404,000 (2007: HK$518,000).

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 47 to 48 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.

An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting, to ensure that shareholders are familiar with such procedures.

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.hk.

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

Independent Auditor's Report

PRICEWATERHOUSECOOPERS

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TO THE SHAREHOLDERS OF USI HOLDINGS LIMITED
(incorporated in 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 49 to 144, which comprise the consolidated and company balance sheets as at 31 December 2008, 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 2008 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, 17 April 2009

Consolidated Income Statement

For the year ended 31 December 2008

	Note	2008 HK$'M	2007 HK$'M
Revenue	5	1,664.5	2,209.7
Cost of sales		(1,038.1)	(1,292.5)
Gross profit		626.4	917.2
Other (losses)/gains, net	7	(14.2)	53.9
Selling and distribution costs		(161.4)	(183.3)
Administrative expenses		(362.1)	(372.4)
Change in fair value of investment properties		541.5	458.0
Impairment of strategic investments		(235.4)	–
Excess of the Group's share of fair value of net assets of subsidiaries acquired over the cost of acquisition ("discount on acquisition")	37	–	1,168.6
Profit from operations	8	394.8	2,042.0
Finance charges		(82.6)	(44.3)
Finance income		34.6	31.7
Net finance charges	10	(48.0)	(12.6)
Share of results of associates	19(a)	(13.0)	2.5
Profit before taxation		333.8	2,031.9
Taxation	11	(61.8)	(191.9)
Profit for the year		272.0	1,840.0
Attributable to:			
Equity holders of the Company		193.4	1,735.9
Minority interests		78.6	104.1
		272.0	1,840.0
Dividends	12	49.4	113.6
Earnings per share for profit attributable to equity holders of the Company (expressed in HK dollars per share)	13		
– Basic		HK$0.20	HK$2.32
– Diluted		HK$0.20	HK$2.31

The notes on pages 57 to 144 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2008

	Note	2008 HK$'M	2007 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights	*14*	41.8	5,772.4
Investment properties	*15*	10,098.1	3,463.0
Properties under development	*16*	–	1,175.5
Other properties, plant and equipment	*17*	181.5	294.0
Interests in associates	*19(a)*	609.6	652.1
Strategic investments	*20*	301.2	526.7
Deferred tax assets	*33*	9.7	6.1
Loans and receivables	*21*	273.3	417.3
Held-to-maturity investments	*22*	25.4	–
		11,540.6	12,307.1
Current assets			
Inventories	*23*	87.5	147.2
Properties for sale	*24*	3,115.9	62.3
Loan receivable	*21*	23.4	20.8
Trade and other receivables, deposits and prepayments	*25*	435.5	329.3
Financial assets at fair value through profit or loss	*26*	–	14.9
Strategic investments	*20*	2.9	–
Derivative financial instruments	*27*	0.6	0.6
Sales proceeds held in stakeholders' accounts		–	98.5
Amounts due from associates	*19(b)*	0.5	25.9
Tax recoverable		4.7	1.7
Pledged bank deposits	*41*	80.2	21.0
Bank balances and cash	*28*	496.2	1,806.4
		4,247.4	2,528.6
Current liabilities			
Trade and other payables and accruals	*29*	741.6	694.9
Derivative financial instruments	*27*	40.4	10.0
Amounts due to associates	*19(c)*	19.5	10.1
Tax payable		59.9	302.9
Short-term bank borrowings and overdrafts	*30*	0.6	13.7
Bank loans due within one year	*31*	489.0	902.7
		1,351.0	1,934.3
Net current assets		2,896.4	594.3
Total assets less current liabilities		14,437.0	12,901.4

	Note	2008 HK$'M	2007 HK$'M
Non-current liabilities			
Bank loans due after one year	*31*	4,432.9	3,208.0
Derivative financial instruments	*27*	105.8	31.8
Other long-term loans	*32*	42.3	43.6
Deferred tax liabilities	*33*	1,175.8	1,125.0
		5,756.8	4,408.4
NET ASSETS		8,680.2	8,493.0
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*34*	494.5	493.7
Reserves	*36(a)*	6,724.0	6,606.1
		7,218.5	7,099.8
Minority interests		1,461.7	1,393.2
TOTAL EQUITY		8,680.2	8,493.0

The financial statements on pages 49 to 144 were approved and authorised for issue by the Board of Directors on 17 April 2009 and are signed on its behalf by:

Cheng Wai Sun, Edward
DIRECTOR

Au Hing Lun, Dennis
DIRECTOR

The notes on pages 57 to 144 are an integral part of these financial statements.

Balance Sheet

At 31 December 2008

	Note	2008 HK$'M	2007 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*18*	3,801.6	3,804.1
Current assets			
Other receivables and prepayments		0.4	19.7
Bank balances and cash		0.1	0.1
		0.5	19.8
Current liabilities			
Other payables		2.9	2.2
Amounts due to subsidiaries	*18*	0.2	17.2
		3.1	19.4
Net current (liabilities)/assets		(2.6)	0.4
NET ASSETS		3,799.0	3,804.5
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*34*	494.5	493.7
Reserves	*36(b)*	3,304.5	3,310.8
TOTAL EQUITY		3,799.0	3,804.5

Cheng Wai Sun, Edward
DIRECTOR

Au Hing Lun, Dennis
DIRECTOR

The notes on pages 57 to 144 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	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
Fair value gains on 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 37)	–	–	–	–	–	–	–	–	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

Consolidated Statement of Changes in Equity

	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 2008	493.7	2,849.0	(27.4)	(16.3)	5.7	12.1	19.2	470.7	3,293.1	7,099.8	1,393.2	8,493.0
Revaluation gain on other properties, plant & equipment	–	–	–	–	–	21.8	–	–	–	21.8	–	21.8
Exchange differences arising on translation of financial statements of operations outside Hong Kong	–	–	–	–	–	–	14.5	–	–	14.5	1.9	16.4
Fair value losses on strategic investments	–	–	–	(141.7)	–	–	–	–	–	(141.7)	(37.1)	(178.8)
Decrease in hedging reserve	–	–	(35.6)	–	–	–	–	–	–	(35.6)	(9.4)	(45.0)
Net loss recognised directly in equity	–	–	(35.6)	(141.7)	–	21.8	14.5	–	–	(141.0)	(44.6)	(185.6)
Profit for the year	–	–	–	–	–	–	–	–	193.4	193.4	78.6	272.0
Realised on disposal of strategic investments	–	–	–	(28.6)	–	–	–	–	–	(28.6)	(7.5)	(36.1)
Disposal of subsidiaries	–	–	–	–	–	–	0.6	–	–	0.6	(0.5)	0.1
Impairment of strategic investments	–	–	–	186.6	–	–	–	–	–	186.6	48.8	235.4
Total recognised income for the year	–	–	(35.6)	16.3	–	21.8	15.1	–	193.4	211.0	74.8	285.8
Acquisition of jointly controlled entities	–	–	–	–	–	–	–	–	–	–	1.4	1.4
Reversal of effect of partial disposal of subsidiaries	–	–	–	–	–	–	–	–	–	–	12.6	12.6
Value of employee services relating to grants of share options and incentive shares	–	–	–	–	5.4	–	–	–	–	5.4	–	5.4
Incentive shares exercised	–	–	–	–	(4.1)	–	–	–	–	(4.1)	–	(4.1)
Shares issued under share incentive scheme	0.8	4.4	–	–	–	–	–	–	–	5.2	–	5.2
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(20.3)	(20.3)
2007 final dividend paid	–	–	–	–	–	–	–	(64.2)	–	(64.2)	–	(64.2)
2008 interim dividend paid	–	–	–	–	–	–	–	(34.6)	–	(34.6)	–	(34.6)
At 31 December 2008	494.5	2,853.4	(63.0)	–	7.0	33.9	34.3	371.9	3,486.5	7,218.5	1,461.7	8,680.2

The notes on pages 57 to 144 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 HK$'M	2007 HK$'M
Cash flows from operating activities			
Profit from operations		394.8	2,042.0
Adjustments for:			
Change in fair value of investment properties		(541.5)	(458.0)
Impairment of strategic investments		235.4	–
Gain on disposal of subsidiaries		(11.8)	(10.3)
Gain on disposal of investment properties		(0.2)	–
Loss on disposal of other properties, plant and equipment		4.3	0.3
Discount on acquisition		–	(1,168.6)
Depreciation and amortisation			
– trademark		0.1	0.1
– leasehold land and land use rights		0.6	23.7
– other properties, plant and equipment		24.7	35.3
Dividend income from strategic investments		(44.1)	(16.5)
Interest income received on loans to associates		(10.3)	(9.0)
(Reversal of)/impairment losses on leasehold land and land use rights		(0.2)	0.9
Impairment losses on other properties, plant and equipment		2.2	30.6
Realised gain on strategic investment		(0.4)	(16.2)
Fair value loss on derivative financial instruments		55.8	42.5
Share-based payments		6.4	2.6
Write back of provision for construction costs		(7.6)	–
Provision for interests in associates		6.3	–
Amortisation of discount on held-to-maturity investments		(1.0)	–
Operating cash flows before movements in working capital		113.5	499.4
Decrease/(increase) in inventories		51.0	(29.2)
(Increase)/decrease in properties for sale		(150.3)	240.9
Increase in trade and other receivables, deposits and prepayments		(42.4)	(96.7)
Decrease/(increase) in sales proceeds held in stakeholders' accounts		98.5	(27.6)
Decrease in financial assets at fair value through profit or loss		14.9	27.5
Decrease/(increase) in amounts due from associates		4.5	(7.3)
Increase in trade and other payables and accruals		3.3	42.7
Increase in amounts due to associates		9.4	5.2
Net cash generated from operations		102.4	654.9
Interest income received		34.6	48.2
Interest paid on bank and other borrowings		(153.4)	(126.8)
Hong Kong profits tax paid		(272.5)	(3.2)
Tax paid in other jurisdictions		(1.5)	(0.9)
Net cash (used in)/generated from operating activities		(290.4)	572.2

	Note	2008 HK$'M	2007 HK$'M
Cash flows from investing activities			
Purchase of leasehold land and land use rights		(396.4)	(1,938.3)
Purchase of investment properties		(1.9)	(6.0)
Additions of properties under development		(1,209.6)	(347.9)
Purchase of other properties, plant and equipment		(18.2)	(32.2)
Deposits paid for acquisition of investment properties, companies and land		–	(244.4)
Loans to joint venture partners		(56.4)	(107.6)
Net repayments of amounts due from associates		30.3	76.5
Proceeds from disposal of investment properties		1.3	–
Proceeds from disposal of other properties, plant and equipment		3.7	2.0
Net proceeds from disposal of strategic investments		26.8	0.6
Proceeds from realisation of derivative financial instruments		3.5	–
Net cash inflow on acquisition of subsidiaries	37	–	637.1
Net cash inflow on acquisition of jointly controlled entities		67.5	–
Net cash inflow/(outflow) from disposal of subsidiaries		14.1	(9.3)
Dividend income from associates		54.6	–
Dividend income from strategic investments		15.4	–
Acquisition of held-to-maturity investments		(24.4)	–
Prepayments for land grant		(123.8)	–
Net repayment from strategic investments		1.3	–
Amounts repaid by investee companies		–	57.0
Net cash used in investing activities		(1,612.2)	(1,912.5)
Cash flows from financing activities			
Issue of shares		–	2.4
Bank and other loans raised		2,388.3	5,681.2
Repayments of bank and other loans		(1,606.7)	(2,748.6)
Decrease in short term borrowings		(5.9)	(6.2)
Dividends paid by the Company		(98.8)	(83.6)
Dividends paid to minority shareholders		(20.3)	(87.5)
Placement of pledged deposits		(59.2)	(21.0)
Net cash generated from financing activities		597.4	2,736.7
Effect of foreign exchange rate changes		2.2	1.6
(Decrease)/increase in cash and cash equivalents		(1,303.0)	1,398.0
Cash and cash equivalents at the beginning of the year		1,798.6	400.6
Cash and cash equivalents at the end of the year	28	495.6	1,798.6

The notes on pages 57 to 144 are an integral part of these financial statements.

1. GENERAL INFORMATION

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 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 other investing activities. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

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

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 17 April 2009.

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 ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They 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 HKFRS 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 policies. 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) Amendment and interpretations effective in 2008 relevant to the Group

HKAS 39 (Amendment)	Financial instruments: Recognition and measurement which permits reclassification of certain financial assets if specified conditions are met
HK(IFRIC) – Int 11	HKFRS 2 – Group and treasury share transactions
HK(IFRIC) – Int 14	HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

The above amendment and interpretations do not have any significant impact on the Group's accounting policies and financial statements.

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 2009 or later periods, and have not been early adopted by the Group:

		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
HKAS 32 (Amendment) & HKAS 1 (Amendment)	Financial instruments: presentation Presentation of financial statements – puttable financial instruments and obligations arising on liquidation	1 January 2009
HKAS 39 (Amendment)	Financial instruments: recognition and measurement on eligible hedged items	1 July 2009
HKFRS 1 (Amendment) & HKAS 27 (Amendment)	First time adoption of HKFRS Consolidated and separate financial statements on cost of an investment in a subsidiary, jointly controlled entity or associate	1 January 2009
HKFRS 2 (Amendment)	Share-based payment on vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business combination	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) – Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) – Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) – Int 16	Hedges of a net investment in foreign operation	1 October 2008
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC) – Int 18	Transfers of assets from customers	1 July 2009

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 (Continued)

The HKICPA has made amendments to HKFRS in October 2008 in response to the annual improvements project.

		Effective from
HKAS 1 (Amendment)	Presentation of financial statements	1 January 2009
HKAS 2 (Amendment)	Inventories	1 January 2009
HKAS 7 (Amendment)	Cash flow statements	1 January 2009
HKAS 8 (Amendment)	Accounting policies, changes in accounting estimates and errors	1 January 2009
HKAS 10 (Amendment)	Events after the reporting period	1 January 2009
HKAS 16 (Amendment)	Property, plant and equipment	1 January 2009
HKAS 18 (Amendment)	Revenue	1 January 2009
HKAS 19 (Amendment)	Employee benefits	1 January 2009
HKAS 20 (Amendment)	Government grants and disclosure of government assistance	1 January 2009
HKAS 23 (Amendment)	Borrowing costs	1 January 2009
HKAS 27 (Amendment)	Consolidated and separate financial statements	1 January 2009
HKAS 28 (Amendment)	Investments in associates	1 January 2009
HKAS 29 (Amendment)	Financial reporting in hyperinflationary economies	1 January 2009
HKAS 31 (Amendment)	Interests in joint ventures	1 January 2009
HKAS 34 (Amendment)	Interim financial reporting	1 January 2009
HKAS 36 (Amendment)	Impairment of assets	1 January 2009
HKAS 38 (Amendment)	Intangible assets	1 January 2009
HKAS 39 (Amendment)	Financial instruments: recognition and measurement	1 January 2009
HKAS 40 (Amendment)	Investment property	1 January 2009
HKAS 41 (Amendment)	Agriculture	1 January 2009
HKFRS 5 (Amendment)	Non-current assets held for sale and discontinued operation	1 July 2009
HKFRS 7 (Amendment)	Financial instruments: disclosures	1 January 2009

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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. 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.

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 in the consolidated financial statements 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(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 identified on acquisition, net of any accumulated impairment loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(iv) Associates (Continued)

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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(i) Functional and presentation currency (Continued)

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 strategic investments (available-for-sale financial assets) are included in the investment revaluation reserve in equity.

(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 strategic investments (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(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 rates prevailing on 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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Other properties, plant and equipment (Continued)

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.

Increases in the carrying amount arising on revaluation of buildings are credited to other property revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other property revaluation reserve directly in equity; all other decreases are charged to the consolidated income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from "other property revaluation reserve" to "retained profits".

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.

Gains or losses arising on disposals are determined by comparing the proceeds with the carrying amount and are 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 for properties held for sale is included in "properties for sale".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

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 other 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 and properties for sale

Properties under development and properties for sale are stated at lower of cost and net realisable value. Cost includes the cost of land, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to the property development.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments and strategic investments (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 also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Classification (Continued)

(iii) Held-to-maturity investments

Financial assets classified as held-to-maturity investments are those with fixed or determinable payments and fixed maturities that the Group's management has both the positive intention and the ability to hold to maturity. The entire category would be tainted and reclassified as available-for-sale financial assets/financial asset at fair value through profit or loss, if the Group sells other than an insignificant amount of held-to-maturity assets. They are initially recorded at fair value plus any directly attributable transaction costs, and are subsequently measured at amortised cost using the effective interest method less allowances for impairment losses.

(iv) Strategic investments (available-for-sale financial assets)

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.

Recognition and measurement

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. Strategic investments (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.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement when the Group's right to receive payments is established.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Financial assets (Continued)

Recognition and measurement (Continued)

Changes in the fair value of monetary securities denominated in a foreign currency and classified as strategic investments (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 strategic investments (available-for-sale financial assets) are recognised in equity.

When securities classified as strategic investments (available-for-sale financial assets) are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Interest on strategic investments (available-for-sale financial assets) calculated using the effective interest method is recognised in the income statement as part of other gains/losses, net. Dividends on strategic (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.

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 strategic investments (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 strategic investments (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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 assets or liabilities or a firm commitment (fair value hedge); or

(2) hedges of a particular risk associated with a recognised liability or a highly probable forecast transactions (cash flow 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 27. Movements on the hedging reserve in shareholders' equity 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, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(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.

(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 recycled in the income statement in the periods when the hedged item affects profit or loss (for example, 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 fixed assets), 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. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of fixed assets.

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.

Certain derivative instruments do not qualify for hedge accounting. They are classified as current or non-current assets or liabilities according to the settlement dates of the financial instruments. Changes in the fair value of these derivative instruments are recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised in equity.

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. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and deferred taxation (Continued)

Deferred income tax is recognised, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share-based payment

The Group operates two equity-settled, share-based compensation plans, under which the entity receives services from employees as consideration for equity instruments (options or incentive shares) of the Group. 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. The total amount expensed is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. 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 and branded products, 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 charged to the income statement on a straight-line basis over the period of the lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(y) Leases by lessor

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 focuses on the unpredictability of financial markets and 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 and Singapore dollars. 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.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

At 31 December 2008, if HK dollars had weakened/strengthened by 5% against Renminbi with all other variables held constant, equity would have been HK$10.0 M (2007: HK$9.4 M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated operations.

At 31 December 2008, if HK dollars had weakened/strengthened by 5% against Singapore dollars with all other variables held constant, equity would have been HK$9.6 M (2007: HK$14.6 M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Singapore dollar-denominated available-for-sale financial assets.

(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 30 and 31 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$10.2 M (2007: HK$8.4 M) lower/higher and capitalised interest on "properties for sale" would have been HK$7.8 M (2007: HK$6.2 M, capitalised under "properties under development") higher/lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

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$13.4 M (2007: HK$11.3 M) higher/lower, mainly a result of gain/loss relating to the portion of changes in the fair value of interest rate swap contracts not qualify for hedge accounting; and equity would have been HK$12.5M (2007: HK$14.5 M) higher/lower mainly as a result of an increase or decrease in the fair value of the effective portion of the cash flow hedges of borrowings as described above.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(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 available-for-sale financial assets or financial assets at fair value through profit or loss. The Group is not exposed to commodity price risk.

At 31 December 2008, 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$12.0 M (2007: HK$29.7 M) higher/lower.

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 variables held constant, profit for the year would have been HK$1.2 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 including properties are made to customers with an appropriate credit history and letters of credit are used as appropriate.

(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.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

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 Group's liquidity management policy involves projecting cashflows in major currencies necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

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.

	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 2008				
Bank borrowings	**557.9**	**925.7**	**3,490.5**	**228.6**
Derivative financial instruments	**40.4**	**26.0**	**64.8**	**15.0**
Trade and other payables and accruals	**743.5**	**–**	**3.3**	**–**
Amounts due to associates	**19.5**	**–**	**–**	**–**
Other long-term loans	**–**	**–**	**–**	**42.3**
Total	**1,361.3**	**951.7**	**3,558.6**	**285.9**
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

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 2008 and 2007 were as follows:

	2008 HK$'M	2007 HK$'M
Total borrowings	4,964.8	4,168.0
Less: Bank balances and cash	(496.2)	(1,806.4)
Net borrowings	4,468.6	2,361.6
Total equity	8,680.2	8,493.0
Gearing ratio	51.5%	27.8%

The increase in gearing ratio is mainly due to increase in construction loans for property development projects in 2008.

3. FINANCIAL RISK MANAGEMENT (Continued)

(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 carrying values less impairment provision (if applicable) of trade receivables and payables are assumed to approximate 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 2008. 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 knowledgeably, 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 strategic investments (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 strategic investments (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 judgement in applying the Group's accounting policies

(i) *Estimated impairment of strategic investments (available-for-sale financial assets)*

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial assets is impaired. The determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health of and short-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

(ii) *Estimated net realisable values of properties for sale*

The Group assesses the carrying amounts of properties for sale according to their recoverable amounts based on the realisability of these properties, taking into account estimated costs to completion based on past experience and committed contracts and estimated net sales/rental value based on prevailing market conditions. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates.

(iii) *Impairment of trade receivables*

The Group reviews regularly the recoverable amount of each individual trade receivables to ensure that adequate impairment is made for the irrecoverable amounts. The Group assesses the recoverable amount of each individual trade receivables whether there is objective evidence that the trade receivables are impaired. This evidence may include observable data indicating that there has been an adverse change in the payment status of the debtors and the local economic conditions that correlate with the potential risk of fallen through on the transactions.

(iv) *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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

(v) 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

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

	2008 HK$'M	2007 HK$'M
Sale of properties	162.4	769.2
Sale of garment and branded products	1,123.6	1,189.6
Rental and property management income	334.4	234.4
Dividend income from strategic investments	44.1	16.5
	1,664.5	2,209.7

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)

	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 2008								
REVENUE								
External sales	162.4	225.2	109.2	883.3	240.3	44.1	–	1,664.5
Inter-segment sales	–	13.3	–	–	–	–	(13.3)	–
Total	162.4	238.5	109.2	883.3	240.3	44.1	(13.3)	1,664.5
RESULTS								
Segment results before change in fair value of investment properties and impairment of strategic investments	62.4	140.7	53.8	(23.0)	(15.8)	14.7	–	232.8
Change in fair value of investment properties	–	531.6	9.9	–	–	–	–	541.5
Impairment of strategic investments	–	–	–	–	–	(235.4)	–	(235.4)
Segment results	62.4	672.3	63.7	(23.0)	(15.8)	(220.7)	–	538.9
Fair value loss on derivative financial instruments								(55.8)
Unallocated corporate expenses								(88.3)
Profit from operations								394.8
Finance charges								(82.6)
Finance income								34.6
Share of results of associates	5.6	–	(9.2)	–	–	(9.4)	–	(13.0)
Profit before taxation								333.8
Taxation								(61.8)
Profit for the year								272.0
Other segment items included in the income statement are as follows:								
Depreciation and amortisation	–	5.8	0.1	10.3	6.8	2.4	–	25.4
(Reversal of)/provision for impairment of other properties, plant and equipment	–	–	–	(0.4)	2.6	–	–	2.2
Reversal of impairment of leasehold land and land use rights	–	–	–	(0.2)	–	–	–	(0.2)
Loss on disposal of other properties, plant and equipment	–	0.2	–	4.1	–	–	–	4.3
Provision for/(write back of) trade receivables, net	15.2	(0.2)	–	2.0	0.4	–	–	17.4

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 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 rights	–	–	–	0.9	–	–	–	0.9
Provision for impairment of other properties, plant and equipment	–	–	–	30.6	–	–	–	30.6

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

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 2008 and capital expenditure for the year then ended are as follows:							
ASSETS							
Segment assets	3,675.2	9,070.3	1,491.2	384.0	138.5	323.1	15,082.3
Interests in associates	520.8	50.2	37.7	–	-	0.9	609.6
Unallocated assets							96.1
Consolidated total assets							15,788.0
LIABILITIES							
Segment liabilities	240.2	285.4	20.1	118.2	56.0	17.3	737.2
Unallocated liabilities							6,370.6
Consolidated total liabilities							7,107.8
Capital expenditure	440.5	1,187.0	206.9	8.3	5.0	3.4	1,851.1
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

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, interests in associates, strategic investments, loans and receivables, held-to-maturity investments, inventories, properties for sale, trade and other receivables, deposits and prepayments, financial assets at fair value through profit or loss, sales proceeds held in stakeholders' accounts and bank balances and cash. Unallocated assets comprise mainly bank balances and cash and other 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 segment

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	
	2008 HK$'M	2007 HK$'M
North America	600.8	611.6
Hong Kong	471.8	1,015.7
United Kingdom	274.4	315.2
Others	317.5	267.2
	1,664.5	2,209.7

6. SEGMENT INFORMATION (Continued)

(b) Secondary reporting format – geographical segment (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	
	2008 HK$'M	2007 HK$'M	2008 HK$'M	2007 HK$'M
Hong Kong	13,597.7	11,462.6	1,632.7	7,544.2
The PRC	1,036.4	637.4	213.3	13.7
United Kingdom	150.8	212.9	5.0	3.0
North America	41.5	50.6	–	–
Singapore	219.2	403.1	–	–
Others	36.7	47.6	0.1	6.4
	15,082.3	12,814.2	1,851.1	7,567.3
Interests in associates	609.6	652.1	–	–
Unallocated assets	96.1	1,369.4	–	–
	15,788.0	14,835.7	1,851.1	7,567.3

7. OTHER (LOSSES)/GAINS, NET

	2008 HK$'M	2007 HK$'M
Compensation income on termination of licence for branded product distribution	–	20.2
Exchange gains, net	3.3	13.1
Forfeiture of sale deposits	–	6.8
Gain on disposal of subsidiaries	11.8	10.3
Interest income on loans to associates	10.3	9.0
Net fair value (loss)/gain on financial assets at fair value through profit or loss	(5.7)	4.8
Net fair value loss on derivative financial instruments	(55.8)	(42.5)
Realised gain on strategic investments	0.4	16.2
Sale of scrap materials	–	1.0
Write back of provision for construction costs	7.6	–
Others	13.9	15.0
	(14.2)	53.9

8. PROFIT FROM OPERATIONS

	2008 HK$'M	2007 HK$'M
Profit from operations has been arrived at after charging/(crediting):		
Staff costs including directors' remuneration (Note 9)	317.6	340.3
Retirement benefits costs, net of negligible forfeited contributions	8.4	24.3
Total staff costs (Note)	326.0	364.6
Share-based compensation expenses (Note)	6.4	4.3
Auditor's remuneration		
– current year	5.2	4.4
– underprovision in prior year	1.9	0.6
Cost of inventories included in cost of sales	741.6	877.5
Cost of sales of properties included in cost of sales	63.4	248.7
Depreciation and amortisation		
– trademark (Note 21)	0.1	0.1
– leasehold land and land use rights (Note 14)	0.6	23.7
– other properties, plant and equipment (Note 17)	24.7	35.3
Loss on disposal of other properties, plant and equipment	4.3	0.3
Direct operating expenses arising from investment properties generating rental income	58.5	26.9
Provision for/(write back of) trade receivables	17.4	(23.9)
Provision for properties for sale	1.1	–
(Write back of)/provision for diminution in value of inventories	(3.0)	5.5
(Reversal of impairment)/provision for impairment of leasehold land and land use rights (Note 14)	(0.2)	0.9
Provision for impairment of other properties, plant and equipment, net (Note 17)	2.2	30.6
Selling and marketing expenses for branded products distribution	95.0	83.7

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

	2008 HK$'M	2007 HK$'M
Directors' fees	2.8	1.7
Other directors' emoluments (Note)		
– Salaries and allowances	15.1	12.6
– Discretionary bonus	3.5	3.7
– Retirement benefits costs-defined contribution plan	0.8	0.6
	22.2	18.6

Note:

Details of the remuneration of directors for the year ended 31 December 2008 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	1,825	2,269	–	113	4,207
CHENG Wai Sun, Edward	65	5,893	1,650	272	7,880
CHENG Man Piu, Francis	25	–	–	–	25
CHOW Wai Wai, John	65	2,465	986	249	3,765
NG Tak Wai, Frederick	25	1,480	75	12	1,592
AU Hing Lun, Dennis	65	3,000	775	141	3,981
Non-executive directors					
KWOK Ping Luen, Raymond	50	–	–	–	50
WONG Yick Kam, Michael	50	–	–	–	50
HONG Pak Cheung, William	50	–	–	–	50
LOH Soo Eng	50	–	–	–	50
Independent non-executive directors					
Simon MURRAY	195	–	–	–	195
FANG Hung, Kenneth	195	–	–	–	195
YEUNG Kit Shing, Jackson	195	–	–	–	195
Total	2,855	15,107	3,486	787	22,235

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 2007 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	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

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 35.

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 (2007: Nil). None of the directors has waived any emoluments during the year (2007: 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 2008 included four (2007: three) executive directors of the Company whose emoluments are included above. The emoluments of the remaining one (2007: two) highest paid individual are as follows:

	2008 HK$'M	2007 HK$'M
Salaries and allowances	1.3	3.2
Discretionary bonus	1.7	1.7
Retirement benefits costs-defined contribution plan	–	0.1
	3.0	5.0

The emoluments fell within the following bands:

	Number of individuals	
	2008	2007
Emoluments bands		
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	–	1
HK$3,000,001 – HK$3,500,000	1	–

10. NET FINANCE CHARGES

	2008 HK$'M	2007 HK$'M
Finance charges		
Interest expenses on:		
– bank and other borrowings wholly repayable within five years	108.7	82.8
– bank and other borrowings not wholly repayable within five years	44.7	44.0
Total borrowing costs	153.4	126.8
Less: Interest capitalised in properties under development and properties for sale (Note a)	(70.8)	(82.5)
	82.6	44.3
Finance income		
– bank interest income	(11.8)	(31.7)
– other interest income (Note b)	(22.8)	–
	(34.6)	(31.7)
Net finance charges	48.0	12.6

Notes:

(a) The borrowing costs have been capitalised at rates ranging from 0.6% to 4.9% per annum (2007: from 4.0% to 7.8% per annum).

(b) Other interest income mainly includes interest on loans to joint venture partners.

11. TAXATION

Hong Kong profits tax has been calculated at 16.5% (2007: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit 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:

	2008 HK$'M	2007 HK$'M
Current tax		
– Hong Kong profits tax	27.3	89.2
– Over-provision in prior years	(0.4)	(1.4)
– Taxation in other jurisdictions	2.0	4.2
	28.9	92.0
Deferred tax (Note 33)		
– Origination and reversal of temporary differences	93.7	99.9
– Effect on tax rate change	(60.8)	–
	32.9	99.9
	61.8	191.9

11. TAXATION (Continued)

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:

	2008 HK$'M	2007 HK$'M
Profit before taxation	333.8	2,031.9
Tax calculated at Hong Kong profits tax rate of 16.5% (2007: 17.5%)	55.1	355.6
Expenses not deductible for tax purpose	61.0	14.5
Income not subject tax	(22.9)	(224.9)
Net increase in unrecognised tax losses and other temporary differences	29.5	30.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	(1.8)	0.5
Remeasurement of deferred tax – change in Hong Kong tax rate	(60.8)	–
(Over)/under-provision in prior years	(0.4)	16.1
Tax effect of share of results of associates	2.1	(0.4)
Taxation for the year	61.8	191.9

During the year, as a result of the change in the Hong Kong profits tax from 17.5% to 16.5% that has been effective from 1 April 2008, deferred tax balances have been remeasured.

In 2007, China enterprise income tax was 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 impact of the change to the Group's financial statements is insignificant.

Dividends to be distributed from earnings of the PRC incorporated enterprises arising on or after 1 January 2008 in the PRC to overseas investors are subject to a withholding tax at the rate of 5% or 10%, depending on the tax jurisdiction of the investor.

12. DIVIDENDS

	2008 HK$'M	2007 HK$'M
Interim dividend paid on 20 October 2008 of HK3.5 cents (2007: HK5.0 cents) per ordinary share	34.6	49.4
Proposed final dividend of HK1.5 cents (2007: HK6.5 cents) per ordinary share	14.8	64.2
	49.4	113.6

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 2009.

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.

	2008 HK$'M	2007 HK$'M
Profit attributable to the equity holders of the Company	193.4	1,735.9
Weighted average number of ordinary shares in issue	988,152,012	749,684,938
Basic earnings per share	HK$0.20	HK$2.32

13. EARNINGS PER SHARE (Continued)

(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 and incentive shares.

	2008 HK$'M	2007 HK$'M
Profit attributable to the equity holders of the Company	193.4	1,735.9
Weighted average number of ordinary shares in issue	988,152,012	749,684,938
Effect of dilutive potential shares issuable under the Company's share option and share incentive schemes	2,503,663	2,805,656
Weighted average number of shares for the purpose of calculating diluted earnings per share	990,655,675	752,490,594
Diluted earnings per share	HK$0.20	HK$2.31

14. LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP	
	2008 HK$'M	2007 HK$'M
At 1 January	5,772.4	776.3
Fair value gain on land use rights reclassified as investment properties	4.1	–
Acquisition of subsidiaries (Note 37)	–	3,082.4
Transfer to investment properties (Note 15)	(3,562.7)	–
Transfer to properties under development held for sale	(2,612.0)	–
Additions	440.4	1,938.3
Reversal of impairment/(impairment)	0.2	(0.9)
Amortisation	(0.6)	(23.7)
At 31 December	41.8	5,772.4

14. LEASEHOLD LAND AND LAND USE RIGHTS (Continued)

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

	THE GROUP	
	2008 HK$'M	2007 HK$'M
In Hong Kong, held on:		
Leases of over 50 years	28.6	1,163.9
Leases of between 10 to 50 years	9.7	4,600.4
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	3.5	8.1
	41.8	5,772.4

15. INVESTMENT PROPERTIES

	THE GROUP	
	2008 HK$'M	2007 HK$'M
At 1 January	3,463.0	1,563.1
Exchange adjustments	4.1	–
Cost adjustment	(7.3)	–
Fair value gain	554.1	458.0
Acquisition of subsidiaries (Note 37)	–	1,430.3
Additions	1.9	6.0
Disposals	(1.1)	–
Transfer from other properties, plant and equipment (Note 17)	61.6	5.6
Transfer from leasehold land and land use rights (Note 14)	3,562.7	–
Transfer from properties under development (Note 16)	2,459.1	–
At 31 December	10,098.1	3,463.0
Investment properties comprise:		
Properties in Hong Kong held on:		
Leases of over 50 years	930.0	–
Leases of between 10 to 50 years	8,864.4	3,463.0
Properties outside Hong Kong held on:		
Leases of over 50 years	233.4	–
Leases of between 10 to 50 years	70.3	–
	10,098.1	3,463.0

The Group's investment properties were valued on an open market value basis as at 31 December 2008 by Savills, Jones Lang LaSalle and B.I. Appraisals.

16. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2008 HK$'M	2007 HK$'M
At 1 January	1,175.5	128.7
Acquisition of subsidiaries (Note 37)	–	370.7
Additions	1,390.6	676.1
Transfer to investment properties (Note 15)	(2,459.1)	–
Transfer to properties under development held for sale	(107.0)	–
At 31 December	–	1,175.5
Properties under development comprise:		
Properties in Hong Kong held on:		
Leases of over 50 years	–	384.4
Leases of between 10 to 50 years	–	791.1
	–	1,175.5

At 31 December 2007, included in properties under development was net interest capitalised of HK$115.7 M.

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 2008	68.2	228.7	195.2	12.7	96.8	601.6
Exchange differences	(16.5)	(2.8)	(20.3)	–	0.5	(39.1)
Fair value gain on buildings reclassified as investment properties	–	17.7	–	–	–	17.7
Acquisition of jointly controlled entities	–	–	0.1	0.1	–	0.2
Additions	–	0.6	12.3	0.3	5.0	18.2
Transfer to investment properties (Note 15)	–	(73.6)	–	–	–	(73.6)
Disposals	–	(0.3)	(73.3)	(1.2)	(9.0)	(83.8)
Disposal of subsidiaries	–	(39.6)	(0.9)	(1.4)	(34.4)	(76.3)
At 31 December 2008	51.7	130.7	113.1	10.5	58.9	364.9
Comprising:						
At cost	51.7	73.8	113.1	10.5	58.9	308.0
At 1994 valuation (Note c)	–	56.9	–	–	–	56.9
	51.7	130.7	113.1	10.5	58.9	364.9
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2008	5.8	58.9	153.7	6.4	82.8	307.6
Exchange differences	(1.6)	(3.7)	(16.7)	–	0.5	(21.5)
Acquisition of jointly controlled entities	–	–	0.1	–	–	0.1
(Reversal of impairment)/ impairment	–	(5.0)	6.5	–	0.7	2.2
Provided for the year	0.4	6.2	13.2	2.0	2.9	24.7
Transfer to investment properties (Note 15)	–	(12.0)	–	–	–	(12.0)
Disposals	–	(0.4)	(68.5)	(1.0)	(5.9)	(75.8)
Disposal of subsidiaries	–	(14.1)	(0.9)	(0.9)	(26.0)	(41.9)
At 31 December 2008	4.6	29.9	87.4	6.5	55.0	183.4
NET BOOK VALUE						
At 31 December 2008	47.1	100.8	25.7	4.0	3.9	181.5

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 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 37)	–	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 (Note 15)	–	(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)

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	
	2008 HK$'M	2007 HK$'M
Properties held on leases of over 50 years in Hong Kong	8.4	8.6
Properties held on leases of between 10 to 50 years		
– in Hong Kong	73.9	75.7
– outside Hong Kong	18.1	59.3
Properties held on leases of less than 10 years outside Hong Kong	0.4	26.2
	100.8	169.8

(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	
	2008 HK$'M	2007 HK$'M
Unlisted shares, at cost	3,249.0	3,249.0
Amounts due from subsidiaries (Note)	552.6	555.1
	3,801.6	3,804.1
Amounts due to subsidiaries	(0.2)	(17.2)

Note:

Amounts due from subsidiaries represent equity funding by the Company to the respective subsidiaries and are classified as non-current assets.

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 2008 are set out in Note 44.

19. ASSOCIATES

(a) Interests in associates

	THE GROUP 2008 HK$'M	2007 HK$'M
Share of net assets	343.7	403.8
Loans to associates	265.9	248.3
	609.6	652.1

Details of the principal associates at 31 December 2008 are set out in Note 46.

Notes:

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

	2008 HK$'M	2007 HK$'M
At 1 January	652.1	163.9
Exchange difference	1.7	(1.9)
Share of results	(13.0)	2.5
Dividends from associates	(55.7)	–
Share of reserves	3.9	–
Interest income on loans to associates	10.3	9.0
Acquisition of subsidiaries (Note 37)	–	555.1
Net repayments of loans to associates	(14.6)	(76.5)
A subsidiary become an associate after partial disposal of interest	24.9	–
At 31 December	609.6	652.1

19. ASSOCIATES (Continued)

(a) Interests in associates (Continued)

Notes: (Continued)

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

	2008 HK$'M	2007 HK$'M
Results for the year ended 31 December:		
Revenue	50.1	489.6
(Loss)/profit for the year	(13.0)	2.5
Financial position at 31 December:		
Non-current assets	1,093.1	986.7
Current assets	125.7	189.0
Current liabilities	(248.9)	(58.2)
Non-current liabilities	(626.2)	(713.7)
Net assets	343.7	403.8

(iii) The advances are unsecured, have no fixed repayment terms and carry interest at market rates. Except for an amount of HK$6.7 M (2007: Nil) denominated in United States dollars, the remaining balance is denominated in Hong Kong dollars.

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

	2008 HK$'M	2007 HK$'M
Interest-bearing amount	–	20.8
Interest-free amount	0.5	5.1
Total	0.5	25.9

(c) Amounts due to associates are unsecured, interest-free and repayable on demand.

20. STRATEGIC INVESTMENTS

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

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Listed equity securities (Note a)		
– Singapore	120.6	291.0
– United Kingdom	1.1	3.1
– The PRC	–	2.6
	121.7	296.7
Other investments (Note b)	182.4	230.0
	304.1	526.7
Analysed as:		
Non-current	301.2	526.7
Current	2.9	–
	304.1	526.7
Market values of listed securities	121.7	296.7

Notes:

(a) The listed equity securities are denominated in the following currencies:

	2008 HK$'M	2007 HK$'M
Singapore dollars	120.6	291.0
UK pound	1.1	3.1
Renminbi	–	2.6
	121.7	296.7

(b) Other investments comprise principally the Group's investments in various property development projects.

(c) The directors conducted a review of the carrying amounts of investments and determined that there were impairment losses of HK$235.4 M for the year. In 2007, impairment losses of HK$4.6 M was released in the consolidated financial statements.

21. LOANS AND RECEIVABLES

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Deposit for acquisition of investment properties (Note a)	–	181.0
Trademark (Note b)	0.3	0.3
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)	163.9	107.6
Prepayments for land grant (Note f)	132.5	–
	296.7	438.1
Analysed as:		
Current	23.4	20.8
Non-current	273.3	417.3
	296.7	438.1

Notes:

(a) In 2007, the Group entered into an agreement to acquire certain investment properties located in Beijing, the PRC. The Group completed 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 completed 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. The acquisition was completed in 2008.

(e) The loans are secured, interest bearing at rates ranging from 12% to 15% and not repayable within one year from the balance sheet date except for an amount of HK$23.4 M (2007: HK$20.8 M) which is repayable within one year. The loans are denominated in United States dollars.

(f) In 2008, two of the jointly controlled entities of the Group entered into agreements for the acquisition of land use rights in Shenyang, the PRC. The Group anticipates the acquisition to be completed in next two years.

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

22. HELD-TO-MATURITY INVESTMENTS

The held-to-maturity investment represents unlisted 1% convertible bonds due in 2013 with nominal amounts of HK$50,000,000. The effective interst rate is about 23% per annum.

23. INVENTORIES

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Raw materials	6.7	25.9
Work in progress	32.2	69.0
Finished goods	48.6	52.3
	87.5	147.2

24. PROPERTIES FOR SALE

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Properties under development held for sale		
Leasehold land and land use rights	2,644.0	–
Development costs	423.7	–
	3,067.7	–
Completed properties		
Leasehold land and land use rights	5.9	8.7
Development costs	33.6	28.9
Freehold land and buildings	8.7	24.7
	48.2	62.3
	3,115.9	62.3
Properties for sale comprise:		
Net book value of leasehold land and land use rights of leases of		
– over 50 years in Hong Kong	1,108.2	–
– between 10 to 50 years in Hong Kong	1,478.5	8.7
– between 10 to 50 years outside Hong Kong	63.2	–
Freehold land and buildings outside Hong Kong	8.7	24.7
	2,658.6	33.4

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Trade receivables	233.7	261.8
Less: provision for impairment	(36.2)	(21.4)
Trade receivables (net of provision)	197.5	240.4
Other receivables, deposits and prepayments	238.0	88.9
	435.5	329.3

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:

	2008 HK$'M	2007 HK$'M
Not yet due	80.3	98.5
1 – 30 days	49.7	75.8
31 – 90 days	58.3	42.3
Over 90 days	9.2	23.8
	197.5	240.4

As of 31 December 2008, trade receivables of HK$97.9 M (2007: HK$141.9 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:

	2008 HK$'M	2007 HK$'M
1 – 30 days	49.7	75.8
31 – 90 days	39.0	42.3
Over 90 days	9.2	23.8
	97.9	141.9

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

As of 31 December 2008, trade receivables of HK$115.6 M (2007: HK$21.4 M) were impaired. The amount of the provision was HK$36.2 M as of 31 December 2008 (2007: HK$21.4 M). The individually impaired receivables mainly relate to wholesalers and purchasers of properties, which are in unexpected difficult economic situations. The ageing analysis of these receivables is as follows:

	2008 HK$'M	2007 HK$'M
Not yet due	71.3	–
1 – 30 days	0.2	–
31 – 90 days	23.4	0.4
Over 90 days	20.7	21.0
	115.6	21.4

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

	2008 HK$'M	2007 HK$'M
HK dollars	107.1	101.9
US dollars	77.6	108.5
UK pound	10.7	18.1
Other currencies	2.1	11.9
	197.5	240.4

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

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

	2008 HK$'M	2007 HK$'M
At 1 January	21.4	17.6
Provision for impairment	17.4	10.4
Release of provision for impairment resulting from write off of receivables	(2.6)	(6.6)
At 31 December	36.2	21.4

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 receivables mentioned above. At 31 December 2008, the Group held collaterals as security against certain trade receivables amounting to HK$94.6 M (2007: HK$78.6 M).

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2008 HK$'M	2007 HK$'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 in 2007 are denominated in United States dollars. The real estate investment trust and listed equity securities were denominated in HK dollars.

27. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP			
	2008		2007	
	Assets HK$'M	Liabilities HK$'M	Assets HK$'M	Liabilities HK$'M
Interest rate swaps				
– cash flow hedges	–	(72.3)	–	(27.0)
– not qualifying as hedges	–	(73.9)	0.2	(14.8)
	–	(146.2)	0.2	(41.8)
Forward foreign exchange contracts				
– not qualifying as hedges	0.6	–	0.4	–
	0.6	(146.2)	0.6	(41.8)
Analysed as				
Current	0.6	(40.4)	0.6	(10.0)
Non-current	–	(105.8)	–	(31.8)
	0.6	(146.2)	0.6	(41.8)

The aggregate notional principal amounts of the interest rate swap contracts and forward foreign exchange rate contracts are HK$1,000.0 M and HK$19.2 M respectively (2007: HK$1,050.0 M and HK$16.3 M respectively).

The portion of changes in fair value of derivative financial instruments not qualify as hedges is recognised in the income statement and amounts to a loss of HK$55.8 M (2007: HK$42.5 M) (Note 7).

28. CASH AND CASH EQUIVALENTS

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

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Bank balances and cash	496.2	1,806.4
Bank overdrafts, unsecured (Note 30)	(0.6)	(7.8)
	495.6	1,798.6

Bank balances and cash include short-term bank deposits of HK$197.3 M (2007: HK$118.3 M) with an average effective interest rate of 0.54% (2007: 3.0%) per annum.

28. CASH AND CASH EQUIVALENTS (Continued)

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

	2008 HK$'M	2007 HK$'M
HK dollars	343.9	1,686.8
US dollars	109.6	11.9
UK pound	27.3	31.3
Other currencies	14.8	68.6
	495.6	1,798.6
Maximum exposure to credit risk	496.2	1,806.4

29. TRADE AND OTHER PAYABLES AND ACCRUALS

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Trade payables	106.1	250.1
Other payables and accruals	635.5	444.8
	741.6	694.9

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

	2008 HK$'M	2007 HK$'M
0 – 30 days	92.2	236.3
31 – 90 days	10.8	9.4
Over 90 days	3.1	4.4
	106.1	250.1

29. 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:

	2008 HK$'M	2007 HK$'M
HK dollars	69.1	214.5
US dollars	5.6	9.3
UK pound	19.6	16.7
Other currencies	11.8	9.6
	106.1	250.1

Included in other payables and accruals are balances of HK$31.0M (2007: HK$40.4M) and HK$138.5M (2007: HK$1.1M) which are denominated in UK pound and Renminbi respectively. The remaining balances are mainly denominated in HK dollars.

30. SHORT-TERM BANK BORROWINGS AND OVERDRAFTS

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Bank overdrafts, unsecured	0.6	7.8
Trust receipts and import loans	–	5.9
	0.6	13.7

Trust receipts and import loans are secured by related inventories. The bank interest rates in 2007 range from 6.25% to 8% per annum.

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

	2008 HK$'M	2007 HK$'M
HK dollars	0.4	7.8
US dollars	0.2	5.9
	0.6	13.7

31. BANK LOANS

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

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Within one year	489.0	902.7
Between one to two years	868.0	577.0
Between two to five years	3,391.4	2,062.6
After five years	173.5	568.4
	4,921.9	4,110.7
Less: Amounts due within one year shown under current liabilities	(489.0)	(902.7)
Amounts due after one year	4,432.9	3,208.0
Analysed as		
– secured	4,706.9	3,248.2
– unsecured	215.0	862.5
	4,921.9	4,110.7

31. BANK LOANS (Continued)

Bank loans are secured by certain land and buildings, strategic investments and bank deposits of the Group amounting to HK$13,285.5 M (2007: HK$9,702.3 M) (Note 41).

The bank loans are denominated in the following currencies:

	2008 HK$'M	2007 HK$'M
HK dollars	4,728.4	3,928.9
Renminbi	124.0	115.0
UK pound	58.7	66.8
Singapore dollars	10.8	–
	4,921.9	4,110.7

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

	2008	2007
HK dollars	1.71%	3.75%
Renminbi	7.52%	6.69%
UK pound	2.75%	6.25%
Singapore dollars	2.83%	–

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

32. OTHER LONG-TERM LOANS

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Interest free loans	42.3	43.6

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

The loans are denominated in the following currencies:

	2008 HK$'M	2007 HK$'M
HK dollars	32.5	35.3
US dollars	9.8	8.3
	42.3	43.6

The carrying amounts of the loans approximate their fair values.

33. 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	
	2008 HK$'M	2007 HK$'M
Deferred tax liabilities	1,175.8	1,125.0
Deferred tax assets	(9.7)	(6.1)
	1,166.1	1,118.9

33. 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 2007	35.7	111.2	(16.2)	130.7
Acquisition of subsidiaries (Note 37)	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
Exchange adjustments	–	1.7	(0.1)	1.6
Acquisition of jointly controlled entities	–	14.1	(1.4)	12.7
Charged/(credited) to income statement for the year (Note 11)	7.0	88.7	(2.0)	93.7
Effect on tax rate change (Note 11)	(4.2)	(58.3)	1.7	(60.8)
At 31 December 2008	76.9	1,120.5	(31.3)	1,166.1

At 31 December 2008, the Group has unused tax losses and other temporary differences of approximately HK$714.7 M (2007: HK$685.0 M) available for offset against future profits. Deferred tax asset has been recognised in respect of HK$181.3 M (2007: HK$167.8 M) of such unused tax losses. No deferred tax asset has been recognised in respect of the remaining tax losses and other temporary differences of HK$647.3 M (2007: HK$517.1 M) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$52.5 M (2007: HK$128.8 M) that will expire in the next five years. Other losses may be carried forward indefinitely.

The deferred taxation at the balance sheet date are mainly expected to be realised or settled after more than 12 months.

34. SHARE CAPITAL

	Number of shares	Amount HK$'M
Ordinary shares of HK$0.50 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2007	526,671,589	263.3
Issue of shares on exercise of incentive shares (Note 35(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
Issue of shares on exercise of incentive shares (Note 35(b))	1,483,500	0.8
At 31 December 2008	988,980,418	494.5

35. 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		
Director	Date of grant	Exercise price per share	As at 1.1.2008	As at 31.12.2008	Fair value of share options recorded in 2008
					HK$
Simon MURRAY	19.4.2005	HK$2.125	1,000,000	1,000,000	78,000

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.

35. 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.

35. 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 1.1.2008	Awarded during the year	Vested and exercised during the year	As at 31.12.2008	Fair value of incentive shares amortised in 2008 HK$
Directors						
CHENG Wai Chee, Christopher	13.9.2005	300,000	–	(300,000)	–	256,000
	25.4.2006	409,500	–	(136,500)	273,000	276,000
	26.7.2007	327,000	–	(81,750)	245,250	687,000
	8.7.2008	–	377,000	–	377,000	473,000
CHENG Wai Sun, Edward	13.9.2005	300,000	–	(300,000)	–	256,000
	25.4.2006	409,500	–	(136,500)	273,000	276,000
	26.7.2007	327,000	–	(81,750)	245,250	687,000
	8.7.2008	–	377,000	–	377,000	473,000
NG Tak Wai, Frederick	13.9.2005	45,000	–	(45,000)	–	38,000
	25.4.2006	44,250	–	(14,750)	29,500	30,000
	8.7.2008	–	41,000	–	41,000	51,000
AU Hing Lun, Dennis	13.9.2005	75,000	–	(75,000)	–	64,000
	25.4.2006	82,500	–	(27,500)	55,000	56,000
	26.7.2007	131,000	–	(32,750)	98,250	275,000
	8.7.2008	–	181,000	–	181,000	227,000
		2,450,750	976,000	(1,231,500)	2,195,250	4,125,000
Employees	13.9.2005	112,500	–	(112,500)	–	92,000
	25.4.2006	159,750	–	(53,250)	106,500	108,000
	29.6.2006	15,000	–	(5,000)	10,000	11,000
	26.7.2007	325,000	–	(81,250)	243,750	660,000
	8.7.2008	–	509,000	–	509,000	613,000
		612,250	509,000	(252,000)	869,250	1,484,000
		3,063,000	1,485,000	(1,483,500)	3,064,500	5,609,000

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

(b) Share Incentive Scheme (Continued)

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 2008, 1,485,000 (2007: 1,140,000) incentive shares were awarded and 1,483,500 (2007: 789,750) incentive shares were vested and exercised.

At 8 July 2008 (2007: 26 July 2007), being the date of awards, the closing price of the shares of the Company as quoted on the Stock Exchange was HK$3.80 (2007: HK$5.79) per share.

(c) Fair values of incentive shares awarded

The fair values of incentive shares awarded during the year ended 31 December 2008 are determined using the Binominal Option Pricing Model (the "Model"). Key assumptions of the Model are:

Risk-free rate	3.6%
Expected dividend yield	1.6%
Expected volatility of the market price of the Company's shares	47.9%
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.

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

(c) Fair values of incentive shares awarded (Continued)

The fair values of the share options granted and incentive shares awarded during the years ended 31 December 2008 and 2007 were as follows:

	2008 HK$'M	2007 HK$'M
Share options granted to a director	–	–
Incentive shares granted to directors and employees	4.7	5.8
	4.7	5.8

36. 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 2007	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
Shares issued under share incentive scheme	4.4	–	-	–	4.4
Employee share-based compensation reserve	–	1.3	–	-	1.3
2007 final dividend paid	–	–	(64.2)	–	(64.2)
2008 interim dividend paid	–	–	(34.6)	–	(34.6)
Profit for the year	–	–	-	86.8	86.8
At 31 December 2008	2,853.4	7.0	357.0	87.1	3,304.5

36. RESERVES (Continued)

(b) (Continued)

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.

37. 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.

37. BUSINESS COMBINATION (Continued)

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	

38. OPERATING LEASES

THE GROUP AS LESSEE

	2008 HK$'M	2007 HK$'M
Minimum lease payments charged to income statement during the year:		
– land and buildings	47.4	27.3
– equipment and motor vehicles	0.4	1.1
	47.8	28.4

Under the leases entered into by the Group, the lease payments are fixed and predetermined. At 31 December 2008, the future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2008 HK$'M	2007 HK$'M
For buildings		
– Within one year	23.9	41.4
– After one year and not later than five years	47.1	62.5
– Over five years	5.0	26.6
	76.0	130.5
For equipment and motor vehicles		
– Within one year	0.3	0.7
– After one year and not later than five years	0.4	0.3
	0.7	1.0
Total	76.7	131.5

38. OPERATING LEASES (Continued)

THE GROUP AS LESSOR

	2008 HK$'M	2007 HK$'M
Gross rental income credited to income statement during the year	301.0	220.9
Less: outgoings	(4.4)	(3.4)
	296.6	217.5

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:

	2008 HK$'M	2007 HK$'M
Within one year	206.0	140.4
After one year and not later than five years	185.4	53.8
	391.4	194.2

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

39. COMMITMENTS

	THE GROUP	
	2008 HK$'M	2007 HK$'M
Expenditure in respect of properties under development/ investment properties		
– contracted but not provided for in the financial statements	–	1,370.6
– authorised but not contracted for	–	11.1
Expenditure in respect of properties under development held for sale		
– contracted but not provided for in the financial statements	445.6	–
– authorised but not contracted for	10.8	–
Expenditure in respect of acquisition of other properties, plant and equipment		
– contracted but not provided for in the financial statements	0.9	0.6
– authorised but not contracted for	0.1	–
Expenditure in respect of investments in an associate		
– contracted but not provided for	396.1	–
	853.5	1,382.3

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

40. CONTINGENT LIABILITIES

	THE GROUP		THE COMPANY	
	2008 HK$'M	2007 HK$'M	2008 HK$'M	2007 HK$'M
Guarantees given to banks in respect of credit facilities extended to				
– subsidiaries and jointly controlled entities	–	–	3,442.5	2,088.0
– an associate	418.7	419.5	–	–
	418.7	419.5	3,442.5	2,088.0
Other guarantees given to banks	1.9	1.9	–	–
	420.6	421.4	3,442.5	2,088.0

At 31 December 2008, bank loans of HK$1,791.4 M (2007: HK$1,435.5 M) being guaranteed by the Company have been drawn down.

41. PLEDGE OF ASSETS

At 31 December 2008, the Group's advances to associates/jointly controlled entities include amounts of HK$1,158.6 M (2007: HK$863.2 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$1,158.6 M (2007: HK$824.5 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 2008, certain of the Group's assets were pledged to secure credit facilities for the Group:

	2008 HK$'M	2007 HK$'M
Investment properties	10,005.3	2,680.6
Freehold properties	47.1	62.4
Leasehold land and land use rights	38.3	5,754.2
Leasehold buildings	81.7	8.6
Properties under development	–	1,175.5
Strategic investments	89.8	–
Properties for sale	2,943.1	–
Bank deposits	80.2	21.0
	13,285.5	9,702.3

42. 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 2008 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:

	2008	2007
Discount rate	6.50%	5.80%
Expected return on plan assets	7.48%	6.53%
Expected rate of salary increases	Nil	Nil
Future pension increases in respect of service	2.25%	2.50%

The actuarial valuation updated to 31 December 2008 showed that the market value of scheme assets was approximately HK$54.9 M (2007: HK$93.8 M) and that the actuarial value of these assets represented 98.9% (2007: 100%) of the benefits that had accrued to members, equivalent to a shortfall of approximately HK$0.7 M (2007: HK$0.2 M).

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

	2008 HK$'M	2007 HK$'M
Current service cost	–	0.8
Interest cost	4.6	4.8
Expected return on plan assets	(5.2)	(5.6)
Curtailment gain	–	(3.7)
Credit for the year	(0.6)	(3.7)

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

The actual deficit on plan assets was approximately HK$12.2 M (2007: return of HK$6.8 M).

42. RETIREMENT BENEFITS AND PENSION SCHEMES (Continued)

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

	2008 HK$'M	2007 HK$'M
Fair value of scheme assets	54.9	93.8
Present value of funded obligations	(55.5)	(94.0)
	(0.6)	(0.2)
Unrecognised actuarial losses	6.3	7.0
Recognised defined benefit asset	5.7	6.8

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

	2008 HK$'M	2007 HK$'M
At 1 January	6.8	1.9
Exchange differences	(2.1)	–
Credited to income statement	0.6	3.7
Contributions	0.4	1.2
At 31 December	5.7	6.8

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions disclosed elsewhere in these financial statements, the Group had the following significant transactions with related parties during the year.

	THE GROUP	
	2008	2007
	HK$'M	HK$'M
Dividend income from a subsidiary of a substantial shareholder of the Company	28.7	–
Interest income from loans to associates	10.5	9.0
Key management compensation (Note)	22.2	18.6
Project management fee income from associates	8.0	11.1
Property rental income from a substantial shareholder of the Company	1.9	2.0
Property rental income from associates	1.9	–
Purchases of garment products from a subsidiary of a substantial shareholder of the Company	43.5	23.9

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

Note:

Key management personnel represents the directors of the Group and their remunerations are set out in note 9(a).

(b) On 23 April 2008, the Company, DNP Holdings Berhad ("DNP") and Kualiti Gold Sdn Bhd ("Kualiti") entered into a joint venture and shareholders' agreement for the purpose of acquiring a building in Kuala Lumpur of Malaysia (the "Development), fitting out and operating the Development as a serviced apartment block. Pursuant to the joint venture and shareholders' agreement, the Goup owns 50% interest in the Kualiti. DNP is a subsidiary of a substantial shareholder of the Company.

(c) On 18 December 2008, Unimix Limited, a wholly owned subsidiary of the Company sold its entire interest in Universal Glory Holdings (HK) Limited to Everfield Holdings Limited, a wholly-owned subsidiary of a substantial shareholder of the Company at a consideration of HK$5.2 M.

44. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2008 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	100%	Property development
Caringbah Limited	British Virgin Islands	US$1	100%	Investment holding
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 investment
Chung Fook Limited	British Virgin Islands/ People's Republic of China	US$1	100%	Property investment
Datas Industries Limited	Hong Kong	HK$2	100%	Garment manufacturing and trading
東莞冠麗時裝有限公司*	People's Republic of China	HK$3,860,000	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
Fore Prosper Limited	Hong Kong	HK$100	60%	Property investment
Gentful Limited	Hong Kong	HK$2	100%	Provides financing to group companies
Gieves & Hawkes International Limited	United Kingdom	£250,000	100%	Licensors

44. 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
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%	Property holding and Investment holding
Grandslam Limited	British Virgin Islands	US$1	100%	Investment holding
Joy Alliance Limited	Hong Kong	HK$100	100%	Property development
Keytime Capital Limited	British Virgin Islands	US$1	100%	Investment holding
Lanson Place Hospitality Management Limited	Hong Kong	HK$2	100%	Hospitality and property management
Lanson Place Hospitality Management (Jakarta) Limited	British Virgin Islands	US$1	100%	Hospitality and property management
Lanson Place Hospitality Management (Malaysia) Limited	British Virgin Islands	US$1	100%	Investment holding, 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

44. 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
Pangold Development Limited	Hong Kong	HK$100	95.9%	Property development
乳源冠麗製衣有限公司*	People's Republic of China	HK$20,000,000	100%	Garment manufacturing
乳源寶麗製衣有限公司*	People's Republic of China	HK$15,000,000	70%	Property investment
Shui Hing Textiles International Limited	Hong Kong	HK$75,000,000	100%	Investment holding
Shui Hung Knitting and Garment Factory Limited	Hong Kong	HK$20,000,000	100%	Investment holding and property investment
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
Teamdoor Investments Limited	Hong Kong	HK$2	100%	Provide transportation services to its fellow subsidiaries
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 Holdings Limited	Hong Kong	HK$1,100,000	100%	Investment holding
Unimix Limited	Hong Kong	HK$10,000,000	100%	Garment manufacturing and trading

44. 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
韶關乳源環邦針織製衣有限公司*	People's Republic of China	HK$7,800,000	78%	Property investment
United Success International Limited	Hong Kong	HK$227,750,062	100%	Investment holding
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	Hong Kong	HK$2	100%	Property project management services
富聯物業管理（北京）有限公司*	People's Republic of China	US$12,300,000	100%	Property investment
Winsor Properties Finance Ltd.	Hong Kong	HK$2	79.3%	Provides finance to group companies
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

44. 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
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

44. 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
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
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	S$2	79.3%	Property investment

44. 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
Curlew International Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Winprop Pte. Ltd.	Singapore	S$2	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

* Represents a wholly owned foreign enterprise

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.

45. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the principal jointly controlled entities at 31 December 2008 are as follows:

Name of company	Place of incorporation	Attributable proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Ace Glory Limited	Hong Kong	15%	Property development
Best Joy Enterprises Limited	British Virgin Islands	40%	Investment holding
Cateavon Limited	Hong Kong	30%	Property development
Century Rise Limited	Hong Kong	15%	Property development
Jumbo Broad Limited	British Virgin Islands	40%	Investment holding
Kualiti Gold Sdn. Bhd.	Malaysia	50%	Property investment
Lancaster Partnership Limited	United Kingdom	47.5%	Property development
Landyork Investment Limited	Hong Kong	47.9%	Property trading
Mancas Investment Limited	Hong Kong	50%	Property development
Pacific Bond Limited	Hong Kong	15%	Property development
Raise Up Enterprises Limited	British Virgin Islands	20.2%	Investment holding
Shenyang Hui Land Gaoqi Property Development Company Limited (formerly known as Shenyang Gaoqi Property Development Company Limited)	People's Republic of China	20%	Property development
Shenyang Hui Land Yarun Property Development Company Limited (formerly known as Shenyang Yarun Property Development Company Limited)	People's Republic of China	20%	Property development
Shenyang Suigang Baiyun Property Investment and Development Company Limited	People's Republic of China	20%	Property development

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%.

45. PRINCIPAL JOINTLY CONTROLLED ENTITIES (Continued)

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:

	2008 HK$'M	2007 HK$'M
Assets:		
Non-current assets	1,389.5	1,735.6
Current assets	2,106.7	624.8
Liabilities:		
Current liabilities	(209.2)	(340.4)
Non-current liabilities	(1,996.2)	(715.4)
Net assets	1,290.8	1,304.6
Revenue	162.0	858.5
Expenses	(130.0)	(313.3)
Taxation	(10.6)	(83.8)
Profit after taxation	21.4	461.4

46. PRINCIPAL ASSOCIATES

Details of the principal associates at 31 December 2008 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
上海錦麟天地酒店式公寓管理有限公司	People's Republic of China	23.4%	Property investment
Smart Gainful Limited	Hong Kong	33.3%	Provision of second mortgage financing
Union Charm Development Limited *	Hong Kong	7.5%	Property development and investment
Winhome Investment Pte Ltd.	Singapore	21.5%	Property development and investment
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
China Merchants Cold Chain (China) Co., Ltd.	British Virgin Islands	23.8%	Investment holding
China Merchants Cold Chain Logistics (Hong Kong) Co., Ltd.	Hong Kong	23.8%	Investment holding
China Merchants Cold Chain Logistics (Shenzhen) Co., Ltd.	People's Republic of China	23.8%	Cold storage

* 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 2008

Address	Gross floor area	Lease term	Effective percentage holding	Particulars of occupancy as at 31 December 2008
Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong (Section A and The Remaining Portion of Kwun Tong Inland Lot No. 242)	1,335,147sq.ft. (124,038 sq.m.)	Lease expired in 2047	79%	Let to outside parties as office
W Square, 314-324 Hennessy Road, Wanchai, Hong Kong (The Remaining Portion and Section D of Marine Lot No. 122)	128,658sq.ft. (11,953 sq.m.)	Lease expired in 2859	79%	About 11% of the properties was occupied by members of the Group. The remaining 89% was let to outside parties for retail and office use
Unimix Industrial Centre, 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong (New Kowloon Inland Lot No. 4899)	390,657 sq.ft. (36,293 sq.m.)	Lease expired in 2047	79%	About 25% of the properties was occupied by members of the Group as workshops and ancillary offices. The remaining 75% was let to outside parties as workshops, canteen or godowns
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

Address	Gross floor area	Lease term	Effective percentage holding	Particulars of occupancy as at 31 December 2008
Regent Centre, 63-73 Wo Yi Hop Road, Lot No. 299 in D.D. 444, Kwai Chung, New Territories, Hong Kong	657,265 sq.ft. (61,061 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
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
33 Units of Tower 23, Central Park, No. 6 Chaoyangmenwai Avenue, Chaoyang District, Beijing 100020, PRC	66,325 sq.ft. (6,162 sq.m.)	Lease expired in 2074	100%	Service apartment
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%	Vacant

Properties held for Investment Purposes

Address	Gross floor area	Lease term	Effective percentage holding	Particulars of occupancy as at 31 December 2008
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
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, PRC (Yue Fang Di Zheng Zi C0449085, C0449086 and C0449090)	98,542 sq.ft (9,146 sq.m.)	Lease expired in 2053	70%	Let to a related party as factory
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, PRC (Yue Fang Di Zheng Zi C0449084, C0449087, C0449088 and C0449089)	146,804 sq.ft. (13,639 sq.m.)	Lease expired in 2053	100%	Let to a related party as factory
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, PRC (Ru Fu Guo Yong Zong Zi Di 000030312/ Ru Fu Guo Yong Zi (2005) Di 02320100060)	156,476 sq.ft. (14,537 sq.m.)	Lease expired in 2052	78%	Let to a related party as factory

Properties held for Investment Purposes

Address	Gross floor area	Lease term	Effective percentage holding	Particulars of occupancy as at 31 December 2008
Macaokeng, Laowei Village, Niushan Management Zone, Fucheng District, Dongguan, Guangdong Province, PRC (Yue Fang Di Zheng Zi C4281592, C4281593, C4281594 and C4281595)	124,485 sq.ft. (11,565 sq.m.)	Lease expired in 2044	78%	Let to outside parties as factory
Macaokeng, Laowei Village, Niushan Management Zone, Fucheng District, Dongguan, Guangdong Province, PRC (Yue Fang Di Zheng Zi 1486418, 1486419, 1486420 and 1486421)	103,427 sq.ft. (9,609 sq.m.)	Lease expired in 2044	100%	Let to outside parties as factory
161 agricultural lots, Lantau and Peng Chau, New Territories, Hong Kong	–	Lease expired in 2047	79%	Vacant

Properties Under Development Held for Sale

At 31 December 2008

Address	Nature of property	Gross floor area	Effective percentage holding	Project status	Expected completion date
No. 2 Forfar Road, Kowloon, Hong Kong (Inland Lot No. 4022)	Residential	90,000 sq.ft.	95.9%	Superstructure 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%	Foundation in progress	2011
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%	Foundation in progress	2011
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%	Foundation in progress	2011
9A-9H Seymour Road and 5A, 5B, 6, 6A, 7 and 7A, Ying Fai Terrace, Hong Kong (Inland Lot Nos. 4626, 4627, 4628, 4629 and the Remaining Portion of Inland Lot No. 585)	Residential	146,000 sq.ft.	30%	Foundation in progress	2011
No. 2 First White Tower Street, Dongling District, Shenyang, PRC	Residential	817,200 sq.m.	20%	Planning in progress	2018

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 2008:

	Year ended 31 December				
	2008 HK$'M	2007 HK$'M	2006 HK$'M	2005 HK$'M (Note a)	2004 HK$'M (Note b)
RESULTS					
Revenue	1,664.5	2,209.7	2,699.4	1,767.9	1,455.8
Profit before taxation	333.8	2,031.9	1,009.5	524.0	107.8
Taxation	(61.8)	(191.9)	(183.6)	(89.6)	(10.0)
Profit for the year	272.0	1,840.0	825.9	434.4	97.8
Attributable to:					
Equity holders of the Company	193.4	1,735.9	738.3	368.5	92.1
Minority interests	78.6	104.1	87.6	65.9	5.7
	272.0	1,840.0	825.9	434.4	97.8

	At 31 December				
	2008 HK$'M	2007 HK$'M	2006 HK$'M	2005 HK$'M (Note a)	2004 HK$'M (Note b)
ASSETS AND LIABILITIES					
Total assets	15,788.0	14,835.7	4,783.6	4,768.1	3,036.4
Total liabilities	(7,107.8)	(6,342.7)	(1,855.6)	(2,784.0)	(1,610.7)
Minority interests	(1,461.7)	(1,393.2)	(215.2)	(127.5)	(61.8)
Equity attributable to the equity holders of the Company	7,218.5	7,099.8	2,712.8	1,856.6	1,363.9

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.