


USI HOLDINGS LIMITED

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

ANNUAL REPORT **2009**

WINGTAI ASIA




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*
YUNG Wing Chung
(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*
YUNG Wing Chung
HONG Pak Cheung, William
(alternate to YUNG Wing Chung)

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

27th Floor, Two Landmark East
100 How Ming Street, Kwun Tong
Kowloon, Hong Kong

COMPANY WEBSITE

http://www.usi.com.hk

HONG KONG STOCK EXCHANGE STOCK CODE

369

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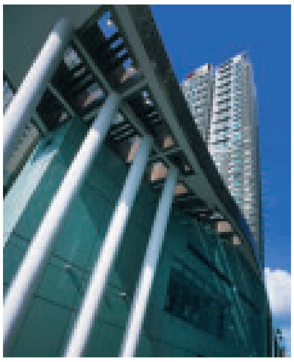
Milestones of Past Ten Years

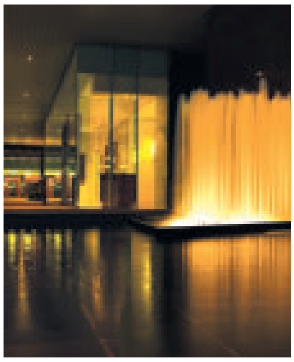


The Waterfront
Kowloon Station, Tsim Sha Tsui, Hong Kong

1999

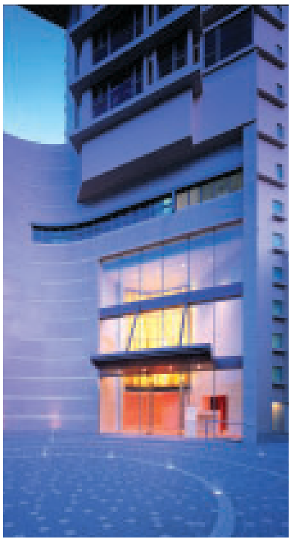
The Hillgrove
Siu Lam, Hong Kong

2001



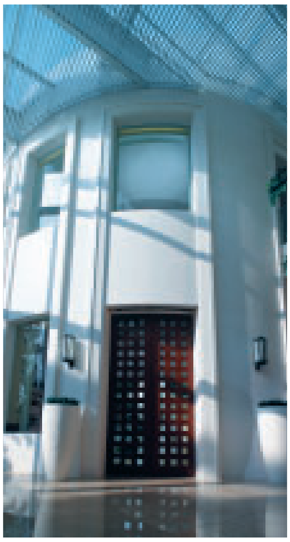
Lanson Place Waterfront Residences
Kowloon Station, Tsim Sha Tsui, Hong Kong

2003



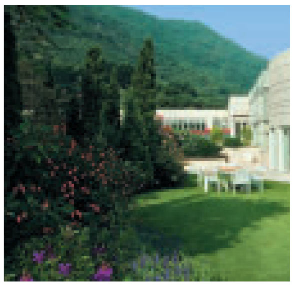
2000

The Bloomsville
Kowloon Tong, Hong Kong

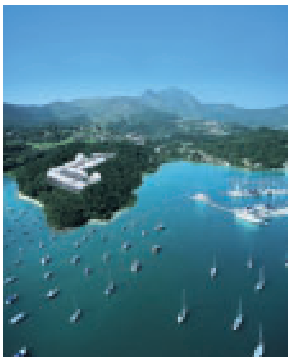


2004

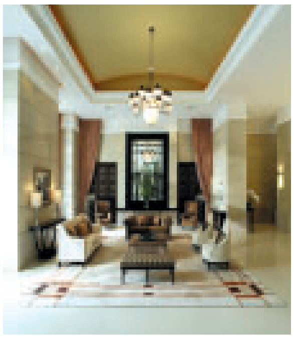
The Grandville
Sha Tin, Hong Kong



Milestones of Past Ten Years

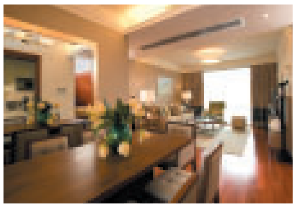


The Giverny
Hebe Haven, Hong Kong

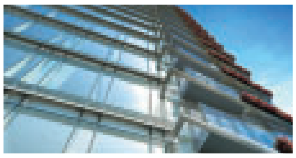


Lanson Place Jinlin Tiandi Residences
Luwan District, Puxi, Shanghai

2005



Lanson Place Jin Qiao Residences
Pudong New District, Shanghai



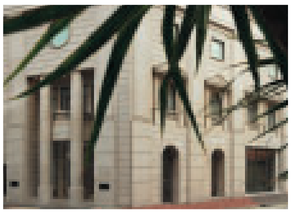
Forfar
Kowloon Tong, Hong Kong

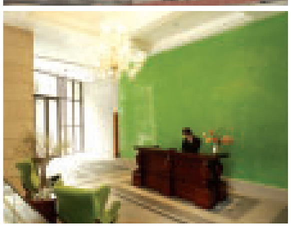
Seymour
Mid-Levels, Hong Kong

2009

2006

Lanson Place Hotel
Causeway Bay, Hong Kong





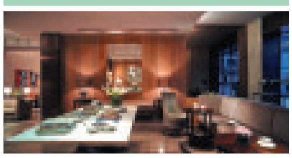
2007

W Square
Wan Chai, Hong Kong

2008

Landmark East
Kwun Tong, Hong Kong

Lanson Place Central Park Residences
Chaoyang District, Beijing



Financial Highlights

	The Group	
	2009	2008
For the year ended 31 December	HK$'M	HK$'M
Revenue	1,207.1	1,664.5
Profit from operations	536.8	394.8
Profit for the year	379.9	272.0
Profit attributable to equity holders of the Company	279.0	193.4
Earnings per share for profit attributable to equity holders of the Company		
	HK$	HK$
Basic (2008: restated)	0.25	0.18
Diluted (2008: restated)	0.25	0.18
At 31 December	HK$'M	HK$'M
Total assets	16,978.1	15,788.0
Capital and reserves attributable to equity holders of the Company	8,127.6	7,218.5
Total equity	9,694.1	8,680.2

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 Jinlin Tiandi Residences, Shanghai	23.4%
Lanson Place Central Park Residences, Beijing	100%
Shanghai Infiniti, Shanghai	8%
The Waterfront – Airport Railway Kowloon Station Package 1 at Tsim Sha Tsui	7.5%
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%
Seymour – Mid-Levels	30%
Lancaster Gate, United Kingdom	47.5%
Kovan Melody, Singapore	21.5%
Belle Vue Residences, Singapore	23.8%
Property Developments 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

Dear Shareholders,

The year 2009 was highly volatile in the global financial markets. During the first half of the year, the market sentiment in Hong Kong was very negative with the local economic conditions being very challenging as a result of the financial tsunami that began in 2008.

Against these uncertain market conditions, as part of its discipline for prudent financial management, the Group focused on strengthening its financial position in order to ensure that we are able to respond to any unpredictable market challenges. The Group managed to increase its long term loan facilities and convert some of the short term facilities into longer term arrangements. At the same time, the Group worked diligently to prepare for the launches of our two luxurious residential developments by closely monitoring the local market conditions.

The local property market showed initial signs of stability in the second half of the year as a result of a stabilizing economy driven by the Central Government's stimulus measures. The Group took advantage of this window of opportunity and launched its luxury residential project, the Forfar. The launch was highly successful and achieved sales of over 60% of all units.

Despite a successful launch of the Forfar, the worldwide market conditions remained very uncertain in the third quarter. In order to ensure that the Group is in a position to deal with any unexpected circumstances, the Group decided to expand its equity base by launching a rights issue to raise approximately HK$549 million. The rights issue was successfully completed in December.

In the last two months of 2009 when the local property market rebounded significantly, the Group immediately launched its Mid-Levels luxury residential property Seymour and achieved overwhelming results both in prices and units sold. This again showed the Group's foresight in the timing of sales in the improving market.

Turning to the investment property business, the commercial leasing market was very weak throughout 2009. However, the leasing of Landmark East in Kowloon East has steadily picked up and towards the last few months of 2009, we are seeing a stronger momentum of leasing uptake. Despite the uncertain environment, W Square in Wanchai achieved close to full leasing during the period while the Group's other investment properties maintained an average occupancy rate of close to 90%.

The hospitality sector also was hard hit by the economic downturn and only began to improve toward the end of the year. Lanson Place saw strong growth in occupancy at its serviced residences and hotels in the last quarter of 2009 and was able to record satisfactory performance vis-à-vis its peers in the respective locations. We are confident that the performance will be sustainable.

In China, the design and preparation work for the first phases of the Shenyang joint venture development have been completed. As for the apparel business, the manufacturing operation has returned to profit though the luxury retail business continued to be under pressure as demand in the high fashion segment in the United Kingdom remained weak.

2010 marks the beginning of a new decade. Over the last ten years, the Group has witnessed the ups and downs in the local property market and successfully built a solid foundation for our property business comprising well recognized brands, strong professional teams and an extensive partnership network. Marking our ten years of accomplishments, the Board has proposed to change the Company's name to "Wing Tai Properties Limited". The name change is part of our corporate rebranding and a major step towards elevating our focus and commitment as an integrated property developer. The new name will better reflect our business focus as well as our direction ahead, while lending resonance to our brand in Hong Kong on product level.

I would like to take this opportunity to express my gratitude to our team of highly committed staff for their contribution and hard work during the last year.

Cheng Wai Chee, Christopher
Chairman

Hong Kong, 26 March 2010

Management Discussion and Analysis

Business Review

For the year ended 31 December 2009, the Group reported a consolidated profit attributable to equity holders of HK$279.0 million, compared with HK$193.4 million in 2008. The increase in profit for the year was mainly due to one-off impairment charge on available-for-sale financial assets recorded in 2008 which was partly offset by lower fair value gain from the Group's investment properties and lower property sales recognised in 2009. Revenue for the Group was HK$1,207.1 million in 2009, compared with HK$1,664.5 million in 2008.

Property

The Group's property division, which includes property development, property investment and management, and hospitality investment and management, recorded segment profit of HK$553.1 million for the year, compared with HK$777.7 million in 2008.

Property Development

"Forfar", in exclusive Kowloon Tong, was launched for presale in July 2009 amid an improving economy. Over 60% of the units have been sold within two weeks. Occupation permit was obtained in January 2010 and the units are expected to be handed over to the purchasers in the second half of 2010.

"Seymour", the latest landmark in Mid-Levels, was launched for presale in November 2009. About 85% of the units have been sold in less than three weeks. Foundation work has been completed and superstructure works were commenced in early February 2010. This project, which the Group has a 30% interest, is expected to be completed in 2011.

These two developments have achieved an aggregate sales value of approximately HK$3.9 billion in the second half of 2009. The Group's attributable share of these sales will be recognised in the consolidated income statement in 2010 and 2011 upon obtaining occupation permits.

The construction works of the Tai Po Town Lot Nos. 186, 187 and 188 are continuing with foundation works completed. These projects are expected to be completed between 2011 and 2012. The Group has a 15% interest in each of the three sites.

The Group's interest in the luxurious residential development in Singapore, Belle Vue Residences, is held through its subsidiary, Winsor Properties Holdings Limited ("Winsor Properties"). Winsor Properties has a 30% interest in this project. About 60% of the units have been sold to-date. Occupation permit is expected to be obtained in the first half of 2010.

For the PRC Shenyang residential developments, foundation work and construction of show-flat areas and sales office for the initial phases of two sites were commenced in August 2009. Bulk construction for low-density residential units is scheduled to commence in the second quarter of 2010. The Group has a 20% interest in these projects.

Property Investment and Management

Winsor Properties is the Group's investment holding arm in commercial, industrial and retail properties in Hong Kong. As at 31 December 2009, the Group's portfolio of investment properties, comprising 1.5 million square feet of Grade-A office building and 2.0 million square feet of industrial buildings located in urban Kowloon area has an aggregate fair market valuation of HK$9,094.3 million.

The improving market sentiment and increased leasing demand for quality commercial properties at affordable rents continue to trigger decentralisation requirements, building up the momentum in the Kowloon East leasing market. Landmark East, the Group's premium twin-tower office in Kowloon East, has signed up more tenants since mid 2009. W Square, the Grade A office and retail building in Wan Chai, was 98% leased at year end.

As at 31 December 2009, the Group's portfolio of industrial properties had an aggregate fair market valuation of HK$2,525.3 million. Average occupancy of these industrial properties decreased slightly during the year but remained close to 90%. The Practice Note on the HKSAR Government's scheme for "Revitalisation of Industrial Buildings" is yet to be issued by the Lands Department and the impact on the supply and demand of industrial space due to such scheme is yet to be seen.

Hospitality Investment and Management

Lanson Place hospitality operation has been adversely affected by the global economic downturn and the H1N1 flu virus in the first half of the year. Despite this difficult operating environment, Lanson Place continues to deliver outstanding results and lead the market in their respective locations in Asia. Since third quarter of the year, Lanson Place has significantly picked up occupancy level while gradually improved leasing rate. At the end of 2009, occupancy of Lanson Place Jinlin Tiandi Residences in Shanghai reached 95% while occupancy of Lanson Place Central Park Residences in Beijing reached 90% within 15 months from its full opening in September 2008.

The segment profit in 2009 was higher than that of 2008 mainly due to fair value gain on the Group's serviced apartments in the PRC.

Following Lanson Place Jin Qiao Residences in Shanghai Pudong which has been soft-opened in February 2010, Lanson Place has a total of eight management contracts in Hong Kong, China and South East Asia.

Apparel

The Group's apparel operation, which comprises garment manufacturing and branded products distribution, generated an aggregate revenue of HK$729.3 million in 2009, compared with HK$1,123.6 million in 2008. The segment loss for the year was HK$26.2 million, compared with HK$38.8 million loss in 2008.

With the closure of loss-making units completed in 2008, the manufacturing business has returned to profitability. However, the branded products distribution business has been significantly affected by the economic downturn, in particular in the high-end retail market in the United Kingdom where it operates.

Investing Activities

The Group's investing activities reported a segment profit of HK$32.3 million for the year 2009, compared with a loss of HK$199.3 million in 2008. The loss in 2008 is mainly due to a provision for impairment of available-for-sale financial assets held for long term of HK$235.4 million.

Financial Review

Liquidity and Financial Resources

The Group's net assets totaled HK$9,694.1 million as at 31 December 2009 (31 December 2008: HK$8,680.2 million). The increase was mainly resulted from capitalisation of HK$549.4 million from rights issue, the profit for the year of HK$379.9 million, an increase in investment revaluation reserve of HK$144.5 million and the distribution of the 2008 final dividend of HK$14.8 million and 2009 interim dividend of HK$14.8 million.

As at 31 December 2009, the Group's net borrowings (total bank loans and other long-term loans less bank balances and cash) was HK$4,165.2 million (31 December 2008: HK$4,468.6 million), representing 43.0% of the Group's net assets (31 December 2008: 51.5%). The decrease in net borrowings and gearing ratio was mainly due to cash received from rights issue in 2009. Interest for the Group's bank loans was mainly on a floating rate basis. Around 88.8% of the Group's bank loans was repayable in periods beyond one year. In addition to the term loan facilities, the Group has unutilised banking facilities in excess of HK$2,106.3 million as at 31 December 2009 (31 December 2008: HK$982.3 million).

Foreign Currencies

The Group principally operates in Hong Kong, and as a result, has minimal exposure to exchange rate fluctuation. The Group conducts its business mainly in Hong Kong Dollars, Renminbi, 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 2009, the Group's contingent liabilities were guarantees given to banks of HK$438.1 million (31 December 2008: HK$420.6 million).

Pledge of Assets

At 31 December 2009, the Group's advances to associates/jointly controlled entities of HK$1,579.8 million (31 December 2008: HK$1,158.6 million) were subordinated to the loan facilities of associates/jointly controlled entities. The Group's advances to the associates/jointly controlled entities include amounts of HK$1,579.8 million (31 December 2008: HK$1,158.6 million) which are assigned, and the shares in these associates/jointly controlled entities beneficially owned by the Group are pledged to the financial institutions.

At 31 December 2009, certain of the Group's investment properties, freehold properties, leasehold land and land use rights, buildings, available-for-sale financial assets, properties for sale, and bank deposits with carrying values of HK$10,420.6 million, HK$51.1 million, HK$34.9 million, HK$54.6 million, HK$176.5 million, HK$3,245.5 million, and HK$38.1 million respectively were pledged to secure credit facilities for the Group.

Prospects

For 2010, it is expected that global economy will gradually improve, whilst mainland China economy will maintain a reasonable growth momentum with various government stimulus initiatives, which will help to bolster Hong Kong's economy.

The prospect of Hong Kong residential property market is expected to be promising, supported by solid fundamentals including a low interest rate environment, short supply of new residential properties, and continued strong demand from mainland buyers for new luxury developments. The Group will continue to grasp the right market windows to launch the remaining units of its two luxury residential projects, Forfar and Seymour. Revenue of

Forfar project from 2009 pre-sales and further sales will be recognised in 2010 with the occupation permit obtained already. Revenue of Seymour project will be recognised after 2010. The Group will closely monitor the progress of the Tai Po project to get it ready for pre-sale in the coming years.

The operating results for investment properties are expected to improve in 2010 with ongoing momentum in leasing market. In particular, taking advantage of the continued decentralisation of offices from the traditional commercial districts to Kowloon East, Landmark East's leasing uptake will bring in increased revenue. Occupancy and rental income from W Square and other industrial properties are expected to hold steady.

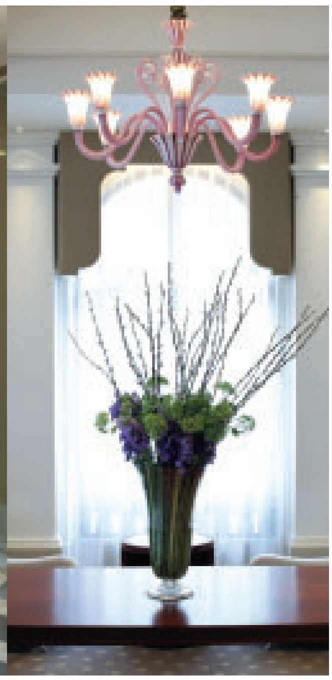
For the hospitality business, Lanson Place is expected to continue to perform well on the back of improved operating environment, sound business model, proven management team and established customer network. The two serviced apartments in Shanghai, Lanson Place Jin Qiao Residences and Lanson Place Jinlin Tiandi Residences, are expected to reap benefit from the coming May 2010 Shanghai Expo. Looking ahead, Lanson Place will continue to explore investment and management opportunities in gateway cities in the Asia Pacific region to expand its business portfolio.

Barring unforeseen circumstances, the results for the coming financial year are expected to be promising with development project earnings and rising recurring income. With a solid foundation of our property business, well-recognised brands and a healthy balance sheet, the Group is well-positioned to manage the challenges and stay ahead of the market to seize opportunities to continue its growth.

Employees

As at 31 December 2009, the Group had about 1,600 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 Director

Mr. CHENG Wai Chee, Christopher *GBS OBE JP*, aged 61, was appointed Chairman of the Company in 1991. Mr. Cheng is the Chairman of the Remuneration Committee of the Company. He is also the Chairman of Winsor Properties Holdings Limited ("Winsor") and a member of the Audit Committee and Nomination Committee of Winsor. Mr. Cheng is a director of several listed companies in Hong Kong, including NWS Holdings Limited, New World China Land Limited, and Kingboard Chemical Holdings Limited. He is the Non-Executive Director of Eagle Asset Management (CP) Limited (manager of the publicly listed Champion Real Estate Investment Trust). Mr. Cheng is also a director of DBS Group Holdings Limited which is listed in Singapore. He resigned as an independent non-executive director of PICC Property and Casualty Company Limited on 23 October 2009. Mr. Cheng graduated from the University of Notre Dame, Indiana with a BBA degree, and 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. Mr. Cheng is also a Board Member of Overseers of Columbia Business School and a steward of The Hong Kong Jockey Club. He retired as a member of the Council of University of Hong Kong and a non-executive director of the Securities and Futures Commission on 6 November 2009 and 14 November 2009 respectively. Mr. Cheng is 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. He 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 (the "SFO").

Mr. CHENG Wai Sun, Edward *SBS JP*, aged 54, 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 University Grants Committee. Mr. Cheng ceased to be a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption with effect from 31 December 2009. Mr. Cheng is a Justice of the Peace and has been 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 57, 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 SFO). Mr. Cheng 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 Assessment Panel for the DesignSmart Initiative.

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

Mr. CHOW Wai Wai, John, aged 60, 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). 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 52, was appointed executive director of the Company in 1995. Mr. Ng 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. Mr. Ng's background is in manufacturing operations and management information systems.

Mr. Ng is a director of certain subsidiaries of Wing Tai Corporation Limited, which is a substantial shareholder of the Company within the meaning of Part XV of the SFO.

Mr. AU Hing Lun, Dennis, aged 50, 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. Mr. Au 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 Director

Mr. KWOK Ping Luen, Raymond *JP*, aged 56, was appointed non-executive director of the Company in 1991. He is the Vice Chairman and Managing Director of Sun Hung Kai Properties Limited ("SHKP") (a substantial shareholder of the Company within the meaning of Part XV of the SFO). Mr. Kwok 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.

Mr. Yung Wing Chung, aged 63, was appointed as non-executive director, an alternate director to Mr. Kwok Ping Luen, Raymond and a member of the Audit Committee of the Company on 24 February 2010. He is a Corporate Advisor of SHKP (a substantial shareholder of the Company within the meaning of Part XV of the SFO). He also serves as director of SmarTone Telecommunications Holdings Limited, RoadShow Holdings Limited, YATA Limited, Hong Kong Business Aviation Centre Limited, River Trade Terminal Co. Ltd., Hung Kai Finance Company, Limited, Airport Freight Forwarding Centre Company Limited, and as an alternate director to Mr. Kwok Ping Luen, Raymond of Transport International Holdings Limited.

Prior to his joining SHKP in 1995, Mr. Yung had many years of work experience with a U.S. Bank in various managerial positions in Hong Kong and the United States.

Mr. HONG Pak Cheung, William, aged 55, was appointed non-executive director of the Company in 2002. Mr. Hong is an alternate Audit Committee member to Mr. Yung Wing Chung since February 2010. 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 SHKP (a substantial shareholder of the Company within the meaning of Part XV of the SFO).

Mr. LOH Soo Eng, aged 69, 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 SFO and listed in Singapore). He has experience 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 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 Director

Mr. Simon MURRAY *CBE*, aged 70, 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 non-executive 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. Murray resigned as independent non-executive director of Hutchison Whampoa Limited on 17 May 2007.

Mr. FANG Hung, Kenneth *GBS CBE JP*, aged 71, 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 and Yeebo (International Holdings) Limited. Mr. Fang ceased to be an independent non-executive director of Jiangsu Expressway Company Limited ("Jiangsu") (listed on both the Hong Kong Stock Exchange and the Shanghai Stock Exchange) on 19 October 2009 and was appointed as a non-executive director of Jiangsu on 20 October 2009. He resigned as an executive director and Chairman of the Board of Times Limited on 11 January 2010. 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. Mr. Fang 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 60, 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 70, 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. Mr. Hofer was also Chairman of the Hong Kong Hotels Association. He 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 55, 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 53, joined the Group in 2005. He 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 48, 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 47, 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.

Directors' Report

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 December 2009.

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, branded products distribution and investing activities. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

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

Details of the Company's principal subsidiaries, the Group's principal jointly controlled entities and associates at 31 December 2009 are set out in notes 42 to 44 to the financial statements.

Results and Appropriations

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 40.

An interim dividend of HK1.5 cents (2008: HK3.5 cents) per share, amounting to a total of about HK$14.8 million, was paid to shareholders in October 2009.

The Directors recommend the payment of a final dividend of HK4.0 cents per share for the year ended 31 December 2009 (2008: HK1.5 cents per share) to shareholders whose names appear on the Register of Members of the Company on 18 May 2010, which together with the interim dividend payment amounts to a total of approximately HK$67.6 million. Subject to the passing of the relevant resolution at the forthcoming annual general meeting, such dividend will be payable to shareholders on or around 1 June 2010.

Share Capital

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

Reserves

Movements in the reserves of the Group are set out in the consolidated statement of changes in equity on page 44 and those of the Company are set out in note 35 to the financial statements.

Investment Properties

The Group revalued its investment properties as at 31 December 2009 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 2009 is set out on pages 110 to 112.

Properties under Development

Details of the Group's properties under development held for sale as at 31 December 2009 are set out on page 113. 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 2009 are set out in note 17 to the financial statements.

Donations

During the year, the Group made charitable and other donations totaling HK$0.2 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 *JP*
Yung Wing Chung *(also an alternate to Kwok Ping Luen, Raymond) (appointed on 24 February 2010)*
Hong Pak Cheung, William
Loh Soo Eng
Wong Yick Kam, Michael *(also an alternate to Kwok Ping Luen, Raymond) (resigned on 24 February 2010)*

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. Cheng Wai Sun, Edward, Mr. Cheng Man Piu, Francis, Mr. Loh Soo Eng and Mr. Fang Hung, Kenneth will retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

In accordance with Bye-law 103(B), Mr. Yung Wing Chung shall hold office until 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 2009, the interests of the Directors and the Chief Executive of the Company in shares and underlying shares of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) as recorded in the register required to be kept under section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

1. Interests in the Company

	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	4,040,998	–	197,918,780 (Note b)	462,488,032 (Note c)	2,684,568	667,132,378	50.57%
Cheng Wai Sun, Edward	3,939,666	–	–	462,488,032 (Note c)	2,684,568	469,112,266	35.56%
Cheng Man Piu, Francis	–	–	–	462,488,032 (Note c)	–	462,488,032	35.06%
Chow Wai Wai, John	200,002	–	–	–	–	200,002	0.02%
Ng Tak Wai, Frederick	313,666	1,016,000	–	–	111,391	1,441,057	0.11%
Au Hing Lun, Dennis	1,006,333	–	–	–	1,021,664	2,027,997	0.15%
Kwok Ping Luen, Raymond	–	–	–	9,224,566 (Note d)	–	9,224,566	0.70%
Simon Murray	–	–	–	–	1,094,737	1,094,737	0.08%

Notes:

(a) The total number of issued shares in the capital of the Company (the "Shares") as at 31 December 2009 was 1,319,253,224.

(b) Mr. Cheng Wai Chee, Christopher was deemed to be interested in 197,918,780 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 91,663,995, 88,930,828 and 17,323,957 Shares respectively.

(c) Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis were beneficiaries of a family trust whose assets included indirect interests in 462,488,032 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 9,224,566 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					
Director	Personal interests	Family interests	Corporate interests	Other interests	Aggregate interests	Approx. percentage of the issued share capital of Winsor (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 2009 was 259,685,288.

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

Save as disclosed herein, as at 31 December 2009, none of the Directors or the Chief Executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under section 352 of the SFO; or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

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

Details of the share options granted and summary of the movements of the outstanding share options for the year ended 31 December 2009 under the Share Option Scheme are as follows:

			Number of share options						
Director	Date of grant	Exercise price per ordinary share	As at 1.1.2009	Grant during the year	Adjusted as a result of the Rights Issue	Exercised during the year	Cancelled/ Lapsed during the year	As at 31.12.2009	Exercisable period
Simon Murray	19.4.2005	HK$1.941	1,000,000	–	94,737	–	–	1,094,737	19.4.2006 to 18.4.2010

Notes: 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.

On 18 December 2009, the Company completed a rights issue by issuing 329,813,306 rights shares at a price of HK$1.7 per rights share on the basis of one rights share for every three existing shares held by the qualifying shareholders (the "Rights Issue").

The exercise price of the share options granted has been adjusted from HK$2.125 to HK$1.941 and the number of share options has been adjusted from 1,000,000 shares to 1,094,737 shares as a result of the Rights Issue.

Details of the Share Option Scheme of the Company are set out in note 34 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 authorised 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 2009 under the Share Incentive Scheme are as follows:

		Number of incentive shares							
Director	Date of award	As at 1.1.2009	Awards made during the year	Adjusted as a result of the Rights Issue	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2009	Vesting date/period of the outstanding awards	Exercisable period
Cheng Wai Chee, Christopher	25.4.2006	273,000	–	25,863	–	–	298,863	12.1.2009	12.1.2009 to 11.1.2016
	26.7.2007	245,250	–	23,234	–	–	268,484	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	8.7.2008	94,250	–	8,929	–	–	103,179	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	94,250	–	8,929	–	–	103,179	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	188,500	–	17,858	–	–	206,358	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	–	389,250	36,876	–	–	426,126	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	–	389,250	36,876	–	–	426,126	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	–	778,500	73,753	–	–	852,253	20.1.2012	20.1.2012 to 15.6.2019

Director	Date of award	Number of incentive shares: As at 1.1.2009	Awards made during the year	Adjusted as a result of the Rights Issue	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2009	Vesting date/period of the outstanding awards	Exercisable period
Cheng Wai Sun, Edward	25.4.2006	273,000	–	25,863	–	–	298,863	12.1.2009	12.1.2009 to 11.1.2016
	26.7.2007	245,250	–	23,234	–	–	268,484	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	8.7.2008	94,250	–	8,929	–	–	103,179	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	94,250	–	8,929	–	–	103,179	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	188,500	–	17,858	–	–	206,358	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	–	389,250	36,876	–	–	426,126	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	–	389,250	36,876	–	–	426,126	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	–	778,500	73,753	–	–	852,253	20.1.2012	20.1.2012 to 15.6.2019
Ng Tak Wai, Frederick	25.4.2006	29,500	–	–	29,500	–	–	N/A	N/A
	8.7.2008	10,250	–	–	10,250	–	–	N/A	N/A
	8.7.2008	10,250	–	971	–	–	11,221	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	20,500	–	1,942	–	–	22,442	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	–	17,750	1,682	–	–	19,432	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	–	17,750	1,682	–	–	19,432	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	–	35,500	3,364	–	–	38,864	20.1.2012	20.1.2012 to 15.6.2019

Director	Date of award	Number of incentive shares: As at 1.1.2009	Awards made during the year	Adjusted as a result of the Rights Issue	Vested and exercised during the year	Cancelled/ lapsed during the year	As at 31.12.2009	Vesting date/period of the outstanding awards	Exercisable period
Au Hing Lun, Dennis	25.4.2006	55,000	–	–	55,000	–	–	N/A	N/A
	26.7.2007	98,250	–	6,205	32,750	–	71,705	8.2.2010	8.2.2010 to 26.7.2017
	8.7.2008	45,250	–	–	45,250	–	–	N/A	N/A
	8.7.2008	45,250	–	4,287	–	–	49,537	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	90,500	–	8,574	–	–	99,074	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	–	183,000	17,337	–	–	200,337	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	–	183,000	17,337	–	–	200,337	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	–	366,000	34,674	–	–	400,674	20.1.2012	20.1.2012 to 15.6.2019
Employees	25.4.2006	106,500	–	–	106,500	–	–	N/A	N/A
	29.6.2006	10,000	–	947	–	–	10,947	29.6.2009	29.6.2009 to 28.6.2016
	26.7.2007	216,000	–	14,233	65,750	–	164,483	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	26.7.2007	27,750	–	2,629	–	–	30,379	17.7.2009 to 17.7.2010	17.7.2009 to 26.7.2017
	8.7.2008	127,250	–	1,208	114,500	–	13,958	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	127,250	–	12,054	–	–	139,304	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	254,500	–	24,110	–	–	278,610	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	–	522,750	49,524	–	–	572,274	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	–	522,750	49,524	–	–	572,274	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	–	1,045,500	99,048	–	–	1,144,548	20.1.2012	20.1.2012 to 15.6.2019
		3,064,500	6,008,000	815,968	459,500	–	9,428,968		

Notes: 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.

The aggregate number of incentive shares granted has been adjusted from 8,613,000 to 9,428,968 incentive shares as a result of the Rights Issue.

Details of the Share Incentive Scheme of the Company are set out in note 34 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 2009, 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	Capacity	Number of Shares interested	Approx. percentage of the issued share capital
Brave Dragon Limited	Beneficial owner	141,794,482	10.75%
Crossbrook Group Limited	Beneficial owner	270,410,883	20.50%
Wing Tai Holdings Limited	Interest of controlled corporation	462,488,032 (Note 2)	35.06%
Deutsche Bank International Trust Co. (Jersey) Limited	Trustee	462,488,032 (Note 3)	35.06%
Deutsche Bank International Trust Co. (Cayman) Limited	Trustee	462,488,032 (Note 3)	35.06%
Wing Tai Corporation Limited	Interest of controlled corporation	180,594,823 (Note 4)	13.69%
Renowned Development Limited	Interest of controlled corporation	180,594,823 (Note 4)	13.69%
Wing Tai (Cheng) Holdings Limited	Interest of controlled corporation	197,918,780 (Note 5)	15.00%
Sun Hung Kai Properties Limited	Interest of controlled corporation	182,608,533 (Note 6)	13.84%
HSBC Trustee (C.I.) Limited	Trustee	182,608,533 (Note 7)	13.84%
Gala Land Investment Co Ltd	Beneficial owner	101,579,467	7.70%

Name of Shareholder	Capcacity	Number of Shares interested	Approx. percentage of the issued share capital
Franham Group Ltd	Interest of controlled corporation	101,579,467 (Note 8)	7.70%
Chow Chung Kai	Beneficial owner, interest of spouse, controlled corporation and other	180,024,824 (Note 9)	13.65%
Chow Yu Yue Chen	Beneficial owner, interest of spouse and controlled corporation	150,812,777 (Note 10)	11.43%

Notes:

(1) The total number of issued Shares as at 31 December 2009 was 1,319,253,224.

(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 50,282,667 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 91,663,995 Shares and 88,930,828 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 17,323,957 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 111,928,210 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 20,869,323, 4,669,333 and 37,680,000 Shares respectively.

Junwall beneficially owned 100% of the issued share capital of Techglory Limited ("Techglory"). Techglory was the beneficial owner of 192,000 Shares.

Sunrise beneficially owned 100% of the issued share capital of Charmview International Ltd ("Charmview"). Charmview was the beneficial owner of 7,141,600 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 128,067 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) HSBC Trustee (C.I.) Limited, as the trustee of certain discretionary trusts, was deemed to be interested in 42.01% of the issued share capital of SHKP. By virtue of its deemed interest in SHKP, it was deemed to be interested in 182,608,533 Shares.

(8) Franham Group Ltd ("Franham") beneficially owned 100% of the issued share capital of Gala Land Investment Co Ltd ("Gala Land"), therefore, Franham was deemed to be interested in the 101,579,467 Shares held by Gala Land by virtue of its corporate interest therein.

(9) Mr. Chow Chung Kai and his wife, Madam Chow Yu Yue Chen, held 48,532,744 and 700,566 Shares respectively.

The estate of the late Mr. Chou Wen Hsien, of which Mr. Chow Chung Kai was the executor, was interested in 29,212,047 Shares.

Mr. Chow Chung Kai beneficially owned 50% of the issued share capital of Franham and, therefore, Mr. Chow Chung Kai was deemed to be interested in the 101,579,467 Shares held by Gala Land by virtue of his corporate interest therein.

The estate of the late Mr. Chou Wen Hsien, of which Mr. Chow Chung Kai was the executor, was interested in 50% of the issued share capital of Franham.

(10) Madam Chow Yu Yue Chen and her husband, Mr. Chow Chung Kai, held 700,566 and 48,532,744 Shares respectively.

Mr. Chow Chung Kai beneficially owned 50% of the issued share capital of Franham and, therefore, Madam Chow Yu Yue Chen was deemed to be interested in the 101,579,467 Shares held by Gala Land by virtue of Mr. Chow Chung Kai's corporate interest therein.

Save as disclosed above, as at 31 December 2009, the Company had not been notified of any interests or short positions held by any substantial shareholder in the shares or underlying shares of the Company which are required to be recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

Interests of Any Other Persons

As at 31 December 2009, the Company had not been notified of any persons other than the substantial shareholders who had interests or short positions in the shares or underlying shares of the Company, which are required to be recorded in the register required to be kept under section 336 of the SFO.

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 8 January 2009, four operating agreements ("2009 Operating Agreements") and four licence agreements ("2009 Licence Agreements") entered into between Lanson Place Hospitality Management (Malaysia) Limited ("LP Malaysia"), Lanson Place Hospitality Management (Singapore) Pte Limited ("LP Singapore"), Lanson Place Hotels & Residences (Bermuda) Limited ("LP Bermuda"), all wholly-owned subsidiaries of the Company, and Winshine Investment Pte Ltd ("Winshine"), Seniharta Sdn Bhd ("Seniharta") and the JV Company (collectively the "WT Associates") for a term of 10 years.

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 the JV Company.

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.

Each of Mr. Cheng Wai Chee, Christopher, Cheng Wai Sun, Edward and Cheng Man Piu, Francis has an indirect interest in the share capital of the WT Associates.

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 the Group One Companies.

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 SHKP. Businesses of SHKP consist of property development, property investment and management, and hospitality investment and management. 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) 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$1.7 million 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 2009 is within the annual cap of HK$4.0 million for 2009 as set out in the Company's announcement dated 30 April 2008.

2. On 4 December 2008, an agreement was entered into between the Company's indirect wholly-owned subsidiary, Gieves Limited ("Gieves") and Wensum Tailoring Limited ("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 Corporation Limited ("WTC") which is a substantial shareholder of the Company, each of Wensum and WTC 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 2009 amounted to GBP3,338,000, which is within the annual cap for the year ended 31 December 2009 of GBP4,000,000 as set out in the Company's announcement dated 4 December 2008.

3. The Company and various of its subsidiaries entered into leases of various units and car parks in Unimix Industrial Centre ("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 2009 totaled HK$7.0 million which is within the 2009 annual cap of HK$15.4 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 2009 totaled HK$5.13 million which is within the 2009 annual cap of HK$5.18 million as set out in the Company's announcement dated 20 June 2008.

5. The following agreements (the "2009 Operating Agreements") were entered into on 8 January 2009:–

   (a) an agreement between Lanson Place Hospitality Management (Singapore) Pte Limited ("LP Singapore") with Winshine Investment Pte Ltd ("Winshine") whereby LP Singapore has agreed to provide serviced apartment management services to Winshine;

   (b) an agreement between Lanson Place Hospitality Management (Malaysia) Limited ("LP Malaysia") with Seniharta Sdn Bhd ("Seniharta") whereby LP Malaysia has agreed to provide hotel apartment management services;

   (c) an agreement between LP Malaysia with Seniharta whereby LP Malaysia has agreed to provide serviced apartment management consulting services to Seniharta; and

   (d) an agreement between LP Malaysia with Kualiti Gold Sdn Bhd ("Kualiti Gold") whereby LP Malaysia has agreed to provide serviced apartment management consulting services to Kualiti Gold.

   The following agreements (the "2009 Licence Agreements") were entered into on 8 January 2009:–

   (a) an agreement between Lanson Place Hotels & Residences (Bermuda) Limited ("LP Bermuda") with Winshine whereby LP Bermuda has agreed to grant to Winshine the rights to use certain trademarks and tradenames in relation to a serviced apartment block located in Singapore;

   (b) two agreements between LP Bermuda with Seniharta whereby LP Bermuda has agreed to grant to Seniharta the rights to use certain trademarks and tradenames in relation to a hotel apartment block and a serviced apartment block located in Malaysia; and

   (c) an agreement between LP Bermuda with Kualiti Gold whereby LP Bermuda has agreed to grant to Kualiti Gold the rights to use certain trademarks and tradenames in relation to a serviced apartment block located in Malaysia;

   Each of the 2009 Operating Agreements and the 2009 Licence Agreements is for a term of 10 years.

   Each of LP Singapore, LP Malaysia and LP Bermuda (collectively the "LP Group Companies") is a wholly-owned subsidiary of the Company.

Each of Winshine, Seniharta and Kualiti Gold (collectively the "WT Associates") is an associate (as defined in the Listing Rules) of Wing Tai Holdings Limited ("WTHL").

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 (the "LP CCT").

The total fees of HK$4.2 million received by the LP Group Companies under the 2009 Operating Agreements and the 2009 Licence Agreements for the year ended 31 December 2009 is within the annual cap of HK$6.5 million for 2009 as set out in the Company's announcement dated 8 January 2009.

6. On 20 July 2009, United Success International Limited ("USIL"), one of the Company's wholly-owned subsidiaries, entered into a preliminary tenancy agreement (the "Landmark East Tenancy Agreement") for the rental of the whole of the 27th Floor, Two Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong for a term of approximately 31 months with Begin Land Limited ("Begin Land") which is a wholly-owned subsidiary of Winsor.

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

   The consideration paid by USIL to Begin Land under the Landmark East Tenancy Agreement for the year ended 31 December 2009 totaled HK$446,000 which is within the 2009 annual cap of HK$590,000 as set out in the Company's announcement dated 20 July 2009.

7. On 6 January 2010, Unimix Properties, one of the Company's indirect subsidiaries, entered into the tenancy agreements for leasing of units on Floors 7, 8, 11, 18 and 22 (the "WTC Tenancy Agreements") and the licence agreements in respect of three car parking spaces (the "WTC Licence Agreements") of Unimix Industrial Centre with WTC. The terms of the WTC Tenancy Agreements and the WTC Licence Agreements are 2 years and 22 months respectively.

   As WTC is a substantial shareholder and therefore a connected person of the Company, the transactions contemplated under the WTC Tenancy Agreements and the WTC Licence Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules (the "WTC CCT").

   The consideration received by Unimix Properties from WTC under the WTC Tenancy Agreements and the WTC Licence Agreements for the year ended 31 December 2009 totaled HK$292,000 which is within the 2009 annual cap of HK$410,000 as set out in the Company's announcement dated 6 January 2010.

II) Annual Review of Continuing Connected Transactions

The independent non-executive directors of the Company have reviewed and confirmed that the aforesaid continuing connected transactions for the year ended 31 December 2009 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 fact finding procedures in respect of the continuing connected transactions for the year ended 31 December 2009 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 to the Board of Directors of the Company on the results of the auditor's fact findings for the selected samples based on the agreed procedures stating, inter alia, that:

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

(ii) 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;

(iii) 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 2008 Agreement;

(iv) with respect to the Unimix CCT, the W Square CCT and the Landmark East 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 the Unimix Tenancy Agreements, the W Square Tenancy Agreements and the Landmark East Tenancy Agreement respectively;

(v) with respect to the LP CCT, the selected samples of the fee amounts have been calculated in accordance with the 2009 Operating Agreements and the 2009 Licence Agreements;

(vi) with respect to the WTC CCT, the selected samples of the rental and licence fees received and receivable by the landlord have been calculated in accordance with the terms of the WTC Tenancy Agreements and the WTC Licence Agreements; and

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

Major Customers and Suppliers

For the year ended 31 December 2009, the Group's sales to the largest and five largest customers accounted for approximately 15.7% and 32.9% respectively of the total value of the Group's revenue while the Group's purchase from the largest and five largest suppliers accounted for approximately 15.7% and 33.7% respectively of the Group's purchase.

Save as disclosed under paragraph 1 in the section above headed Directors' Interests in Contracts and paragraph 2 in the section above headed Connected Transactions, none of the Directors of the Company or any of their associates or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers and suppliers.

Disclosure Pursuant to Rule 13.22 of the Listing Rules

As at 31 December 2009, the aggregate amount of financial assistance to and guarantees given for facilities granted to affiliated companies by the Group amounted to HK$4,247.5 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 2009 are presented below:

	Pro-forma combined balance sheet HK$'M	Group's attributable interest HK$'M
Non-current assets	6,752.4	1,769.9
Current assets	15,221.9	2,774.6
Current liabilities	(3,334.4)	(850.9)
Non-current liabilities	(7,618.3)	(1,422.4)
Amounts and loans due from shareholders	70.2	28.5
Amounts and loans due to shareholders	(9,854.4)	(2,057.3)
Net assets	1,237.4	242.4

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 114 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, 26 March 2010

1 Compliance with Appendix 14 to the Rules Governing the Listing of Securities (the "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 2009.

2 Compliance with Model Code for Securities Transactions by Directors of Listed Issuers (the "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 2009, 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 and the relationships (if any) among them are set out on pages 12 to 14 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 2009 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.

The Company has also received acknowledgements from all directors of their responsibility for preparing the financial statements and the statement by the auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on page 39 of this annual report.

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 at the annual general meetings of the Company 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. The attendance record of each member at the board meetings is set out in the table under the section headed "Attendance at Meeting" 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 2009. The attendance record of each member at the Remuneration Committee meeting is set out in the table under the section headed "Attendance at Meeting" of this report.

The following works were performed by the Remuneration Committee during 2009:

(a) determination of remuneration package of executive directors and senior management for the year ended 31 December 2009; and

(b) review and approval of the proposal of directors' fee for the year ended 31 December 2009, with a recommendation to the shareholders for approval.

Remuneration Policy for Executive Directors 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 or 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 recommended by the Remuneration Committee for shareholders' approval at the annual general meetings.

5 Directors' Remuneration

The directors' remuneration is set out in note 9 to the financial statements on pages 74 to 76 of this annual report.

6 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.

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. Yung Wing Chung	*(appointed on 24 February 2010)*
Mr. Hong Pak Cheung, William	*(ceased to be alternate to Mr. Wong Yick Kam, Michael and appointed as alternate to Mr. Yung Wing Chung both on 24 February 2010)*
Mr. Wong Yick Kam, Michael	*(resigned on 24 February 2010)*

The primary duties of the Audit Committee include, inter alia, 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 four times in 2009. The attendance record of each member at the Audit Committee meetings is set out in the table under the section headed "Attendance at Meeting" of this report.

The following works were performed by the Audit Committee during 2009:

(a) review of the external auditor's audit plans for the years ended 31 December 2008 and 2009;

(b) review of the 2009 and 2010 internal audit plans;

(c) review of the 2008 and 2009 work progress reports and the works performed by internal audit in 2008 and 2009;

(d) review of the annual report and results announcement for the year ended 31 December 2008, 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 2008;

(f) review of the interim report and interim results announcement for the six months ended 30 June 2009, with a recommendation to the Board for approval;

(g) review of the external auditor's report on the review of interim financial statements for the six months ended 30 June 2009; and

(h) review of the 2009 and 2010 annual budgets for audit and non-audit services.

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 misstatements or losses.

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 2009, 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 Attendance at Meeting

The attendance record of individual members at the Board and Committees meetings in 2009 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	6/6	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	6/6	N/A	N/A
Non-executive directors			
Mr. Kwok Ping Luen, Raymond *(with Wong Yick Kam, Michael as alternate)*	2/6	N/A	N/A
Mr. Wong Yick Kam, Michael	2/6	N/A	4/4
Mr. Hong Pak Cheung, William	6/6	N/A	N/A
Mr. Loh Soo Eng	4/6	N/A	N/A
Independent non-executive directors			
Mr. Simon Murray	2/6	1/1	N/A
Mr. Fang Hung, Kenneth	6/6	1/1	3/4
Mr. Yeung Kit Shing, Jackson	4/6	1/1	4/4

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 2009 are HK$6,127,000 (2008: HK$5,597,000) and HK$959,000 (2008: HK$489,000) respectively.

The remuneration in respect of significant non-audit services in 2009 includes the following:–

Nature of services	Fee paid HK$
Tax services	443,000
Special projects	516,000
Total	959,000

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 Independent Auditor's Report on page 39 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.

羅兵咸永道會計師事務所

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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 40 to 109, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, 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 of the Company 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 2009 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, 26 March 2010

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 HK$'M	2008 HK$'M
Revenue	*5*	1,207.1	1,664.5
Cost of sales		(704.0)	(1,038.1)
Gross profit		503.1	626.4
Other gains/(losses), net	*7*	105.7	(14.2)
Selling and distribution costs		(148.1)	(161.4)
Administrative expenses		(287.8)	(362.1)
Change in fair value of investment properties		363.9	541.5
Impairment of available-for-sale financial assets		–	(235.4)
Profit from operations	*8*	536.8	394.8
Finance costs	*10*	(88.9)	(82.6)
Finance income	*10*	35.6	34.6
Share of results of associates	*19(a)*	(0.7)	(13.0)
Profit before taxation		482.8	333.8
Taxation	*11*	(102.9)	(61.8)
Profit for the year		379.9	272.0
Attributable to:			
Equity holders of the Company		279.0	193.4
Minority interests		100.9	78.6
		379.9	272.0
Dividends	*12*	67.6	49.4
Earnings per share for profit attributable to equity holders of the Company			
(expressed in HK dollars per share)	*13*		
– Basic (2008: restated)		HK$0.25	HK$0.18
– Diluted (2008: restated)		HK$0.25	HK$0.18

The notes on pages 47 to 109 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	Note	2009 HK$'M	2008 HK$'M
Profit for the year		379.9	272.0
Other comprehensive income			
Net surplus arising on revaluation of other properties, plant and equipment upon transfer to investment properties		10.7	21.8
Exchange differences on translation of foreign operations		(7.2)	16.4
Net surplus/(deficit) arising on revaluation of available-for-sale financial assets			
– Fair value surplus/(deficit)		144.5	(178.8)
– Realised deficit on distribution		–	(28.7)
– Realised deficit on disposal		–	(7.4)
Impairment on available-for-sale financial assets transferred to consolidated income statement		–	235.4
Translation reserve realised upon on disposal of subsidiaries		–	0.1
Net loss on cash flow hedge			
– Fair value losses		(56.6)	(63.8)
– Realised upon settlement		39.7	18.8
Other comprehensive income for the year, net of tax	*11*	131.1	13.8
Total comprehensive income for the year		511.0	285.8
Attributable to:			
Equity holders of the Company		381.4	211.0
Minority interests		129.6	74.8
Total comprehensive income for the year		511.0	285.8

The notes on pages 47 to 109 are an integral part of these financial statements.

Consolidated Balance Sheet

At 31 December 2009

	Note	2009 HK$'M	2008 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights	14	38.3	41.8
Investment properties	15	10,532.0	10,098.1
Other properties, plant and equipment	17	192.7	181.5
Interests in associates	19(a)	617.9	609.6
Available-for-sale financial assets	20	434.0	301.2
Loans and receivables	21	388.6	273.3
Held-to-maturity investments	22	31.0	25.4
Deferred tax assets	32	10.2	9.7
		12,244.7	11,540.6
Current assets			
Inventories	23	102.2	87.5
Properties for sale	24	3,432.5	3,115.9
Loans and receivables	21	26.2	23.4
Trade and other receivables, deposits and prepayments	25	172.0	435.5
Available-for-sale financial assets	20	–	2.9
Derivative financial instruments	26	–	0.6
Sales proceeds held in stakeholders' accounts		255.8	–
Amounts due from associates	19(b)	1.7	0.5
Tax recoverable		4.7	4.7
Pledged bank deposits	39	38.1	80.2
Bank balances and cash	27	700.2	496.2
		4,733.4	4,247.4
Current liabilities			
Trade and other payables and accruals	28	1,015.5	741.6
Derivative financial instruments	26	41.1	40.4
Amounts due to associates	19(b)	21.8	19.5
Tax payable		26.8	59.9
Short-term bank loans and overdrafts	29	–	0.6
Bank loans due within one year	30	540.6	489.0
		1,645.8	1,351.0
Net current assets		3,087.6	2,896.4
Total assets less current liabilities		15,332.3	14,437.0
Non-current liabilities			
Bank loans due after one year	30	4,281.8	4,432.9
Other long-term loans	31	43.0	42.3
Derivative financial instruments	26	55.3	105.8
Deferred tax liabilities	32	1,258.1	1,175.8
		5,638.2	5,756.8
NET ASSETS		9,694.1	8,680.2
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	33	659.6	494.5
Reserves	35(a)	7,468.0	6,724.0
		8,127.6	7,218.5
Minority interests		1,566.5	1,461.7
TOTAL EQUITY		9,694.1	8,680.2

The financial statements on pages 40 to 109 were approved and authorised for issue by the Board of Directors on 26 March 2010 and are signed on its behalf by:

Cheng Wai Sun, Edward	Au Hing Lun, Dennis
DIRECTOR	*DIRECTOR*

The notes on pages 47 to 109 are an integral part of these financial statements.

Balance Sheet

At 31 December 2009

	Note	2009 HK$'M	2008 HK$'M
ASSETS AND LIABILITIES			
Non-current assets			
Investments in subsidiaries	*18*	3,249.0	3,249.0
Current assets			
Amounts due from subsidiaries	*18*	946.7	552.6
Other receivables and prepayments		0.5	0.4
Bank balances and cash	*27*	202.8	0.1
		1,150.0	553.1
Current liabilities			
Other payables		13.5	2.9
Amounts due to subsidiaries	*18*	0.2	0.2
		13.7	3.1
Net current assets		1,136.3	550.0
NET ASSETS		4,385.3	3,799.0
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	*33*	659.6	494.5
Reserves	*35(b)*	3,725.7	3,304.5
TOTAL EQUITY		4,385.3	3,799.0

Cheng Wai Sun, Edward
DIRECTOR

Au Hing Lun, Dennis
DIRECTOR

The notes on pages 47 to 109 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	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
Total comprehensive income	–	–	(35.6)	16.3	–	21.8	15.1	–	193.4	211.0	74.8	285.8
Transactions with owners												
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)
Total transactions with owners	0.8	4.4	–	–	1.3	–	–	(98.8)	–	(92.3)	(6.3)	(98.6)
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
Total comprehensive income	–	–	(13.4)	114.5	–	8.5	(7.2)	–	279.0	381.4	129.6	511.0
Transactions with owners												
Contributions from minority shareholders	–	–	–	–	–	–	–	–	–	–	0.9	0.9
Acquisition of minority interests	–	–	–	–	–	–	–	–	–	–	(0.7)	(0.7)
Value of employee services relating to grants of share options and incentive shares	–	–	–	–	7.7	–	–	–	–	7.7	–	7.7
Incentive shares exercised	–	–	–	–	(1.3)	–	–	–	–	(1.3)	–	(1.3)
Shares issued under share incentive scheme	0.2	1.3	–	–	–	–	–	–	–	1.5	–	1.5
Shares issued under rights issue	164.9	384.5	–	–	–	–	–	–	–	549.4	–	549.4
Dividends paid to minority shareholders	–	–	–	–	–	–	–	–	–	–	(25.0)	(25.0)
2008 final dividend paid	–	–	–	–	–	–	–	(14.8)	–	(14.8)	–	(14.8)
2009 interim dividend paid	–	–	–	–	–	–	–	(14.8)	–	(14.8)	–	(14.8)
Total transactions with owners	165.1	385.8	–	–	6.4	–	–	(29.6)	–	527.7	(24.8)	502.9
At 31 December 2009	659.6	3,239.2	(76.4)	114.5	13.4	42.4	27.1	342.3	3,765.5	8,127.6	1,566.5	9,694.1

The notes on pages 47 to 109 are an integral part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 HK$'M	2008 HK$'M
Cash flows from operating activities			
Profit from operations		536.8	394.8
Adjustments for:			
Change in fair value of investment properties		(363.9)	(541.5)
Impairment on available-for-sale financial assets		0.3	235.4
Gain on disposal of subsidiaries		–	(11.8)
Gain on disposal of investment properties		–	(0.2)
Goodwill write off on acquisition of minority interests		1.9	–
Loss on disposal of other properties, plant and equipment		3.5	4.3
Depreciation and amortisation			
– trademark		0.1	0.1
– leasehold land and land use rights		0.4	0.6
– other properties, plant and equipment		21.9	24.7
Dividend income from available-for-sale financial assets		(27.2)	(44.1)
Interest income received on loans to associates		(10.9)	(10.3)
Reversal of impairment on leasehold land and land use rights		–	(0.2)
Impairment on other properties, plant and equipment		–	2.2
Realised gain on available-for-sale financial assets		(0.6)	(0.4)
Fair value (gain)/loss on derivative financial instruments		(63.1)	55.8
Share-based compensation expenses		7.9	6.4
Write back of provision for construction costs		–	(7.6)
Provision for trade receivables		0.6	17.4
Provision for interests in associates		–	6.3
Amortisation of interest income on held-to-maturity investments		(6.1)	(1.0)
Net exchange gains		(11.1)	–
Operating cash flows before movements in working capital		90.5	130.9
(Increase)/decrease in inventories		(14.7)	51.0
Increase in properties for sale		(292.0)	(150.3)
Decrease/(increase) in trade and other receivables, deposits and prepayments		224.6	(59.8)
(Increase)/decrease in sales proceeds held in stakeholders' accounts		(255.8)	98.5
Decrease in financial assets at fair value through profit or loss		–	14.9
(Increase)/decrease in balances with associates		(4.8)	4.5
Increase in trade and other payables and accruals		273.9	3.3
Increase in amounts due to associates		2.3	9.4
Net cash generated from operations		24.0	102.4
Interest income received		35.6	34.6
Interest paid on bank and other borrowings		(88.9)	(153.4)
Hong Kong profits tax paid		(56.0)	(272.5)
Tax paid in other jurisdictions		(0.8)	(1.5)
Net cash used in operating activities		(86.1)	(290.4)

Consolidated Cash Flow Statement

For the year ended 31 December 2009

	Note	2009 HK$'M	2008 HK$'M
Cash flows from investing activities			
Purchase of leasehold land and land use rights		–	(396.4)
Purchase of investment properties		(28.2)	(1.9)
Additions of properties under development		–	(1,209.6)
Purchase of other properties, plant and equipment		(56.9)	(18.2)
Loans to joint venture partners		(107.5)	(56.4)
Deposits paid for acquisition of investment properties		(35.0)	–
Repayment from joint venture partners		39.9	–
Net repayments of amounts due from associates		–	30.3
Proceeds from disposal of investment properties		–	1.3
Proceeds from disposal of other properties, plant and equipment		1.1	3.7
Net proceeds from disposal of available-for-sale financial assets		3.5	26.8
Net (outflow)/inflow from realisation of derivative financial instruments		(4.4)	3.5
Net cash inflow on acquisition of jointly controlled entities		0.9	67.5
Net cash inflow from disposal of subsidiaries		–	14.1
Acquisition of minority interests		(2.6)	–
Dividend income from associates		6.3	54.6
Dividend income from available-for-sale financial assets		27.2	15.4
Acquisition of held-to-maturity investments		–	(24.4)
Prepayment for land grant		–	(123.8)
Net repayment from available-for-sale financial assets		11.4	1.3
Coupon received from held-to-maturity investments		0.5	–
Net cash used in investing activities		(143.8)	(1,612.2)
Cash flows from financing activities			
Rights issue net of issue expenses		549.4	–
Bank and other loans raised		1,106.9	2,388.3
Repayments of bank and other loans		(1,212.5)	(1,606.7)
Decrease in short term loans		–	(5.9)
Dividends paid by the Company		(29.6)	(98.8)
Dividends paid to minority shareholders		(25.0)	(20.3)
Release/(placement) of pledged deposits		42.1	(59.2)
Net cash generated from financing activities		431.3	597.4
Effect of foreign exchange rate changes		3.2	2.2
Increase/(decrease) in cash and cash equivalents		204.6	(1,303.0)
Cash and cash equivalents at the beginning of the year		495.6	1,798.6
Cash and cash equivalents at the end of the year	*27*	700.2	495.6

The notes on pages 47 to 109 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, branded products distribution and investing activities. The Company and its subsidiaries are hereinafter collectively referred to as the Group.

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

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 26 March 2010.

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, 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) New and revised standards, amendments and improvements to standards and interpretations of HKFRS effective in 2009 relevant to the Group

HKAS 1 (Revised)	Presentation of financial statements
HKAS 16 (Amendment)	Property, plant and equipment
HKAS 19 (Amendment)	Employees benefits
HKAS 23 (Revised)	Borrowing costs
HKAS 28 (Amendment)	Investments in associates
HKAS 31 (Amendment)	Interests in joint ventures
HKAS 32 (Amendment) & HKAS 1 (Amendment)	Financial instruments: presentation & presentation of financial statements – puttable financial instruments and obligations arising on liquidation
HKAS 36 (Amendment)	Impairment of assets
HKAS 38 (Amendment)	Intangible assets
HKAS 40 (Amendment)	Investment properties
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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(i) New and revised standards, amendments and improvements to standards and interpretations of HKFRS effective in 2009 relevant to the Group (Continued)

HKFRS 2 (Amendment)	Share-based payment on vesting conditions and cancellations
HKFRS 7 (Amendment)	Financial instruments: disclosures
HKFRS 8	Operating segments
HK(IFRIC)-Int 9 & HKAS 39 (Amendment)	Reassessment of embedded derivatives and financial instruments: recognition and measurement
HK(IFRIC)-Int 13	Customer loyalty programmes
HK(IFRIC)-Int 15	Agreements for the construction of real estate
HK(IFRIC)-Int 16	Hedges of a net investment in foreign operation
HK(IFRIC)-Int 18	Transfer of assets from customers

Except for HKAS 1 (Revised), HKFRS 7 (Amendment) and HKFRS 8, the adoption of the other new or revised standards, amendments and improvements to standards and interpretations of HKFRS did not have any significant impact to the Group's accounting policies and financial statements.

HKAS 1 (Revised), "Presentation of financial statements". The revised standard prohibits the presentation of items of income and expenses ("non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented to conform with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

HKFRS 7 (Amendment), "Financial instruments – disclosures". The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share.

HKFRS 8, "Operating segments". HKFRS 8 replaces HKAS 14, "Segment reporting". The new standard requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. Operating segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker who makes strategic decisions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

(ii) New and revised standards, amendments and improvements to standards and interpretations of HKFRS that are not yet effective in 2009 relevant to the Group

The following new and revised standards, amendments and improvements to standards and interpretations of HKFRS have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2010 or later periods, and have not been early adopted by the Group:

		Effective from
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 28 (Amendment)	Investments in associates	1 July 2009
HKAS 31 (Amendment)	Interests in joint ventures	1 July 2009
HKAS 39 (Amendment)	Financial instruments: recognition and measurement on eligible hedged items	1 July 2009
HKFRS 1 (Revised)	First-time adoption of HKFRSs	1 July 2009
HKFRS 3 (Revised)	Business combinations	1 July 2009
HK(IFRIC) – Int 17	Distribution of non-cash assets to owners	1 July 2009
HKAS 18 (Amendment)	Revenues	1 January 2010
HKFRS 1 (Amendment)	Additional exemptions for first-time adopters	1 January 2010
HKFRS 2 (Amendment)	Group cash-settled share-based payment transaction	1 January 2010
HKAS 32 (Amendment)	Classification of rights issue	1 February 2010
HK(IFRIC) – Int 19	Extinguishing financial liabilities with equity instruments	1 July 2010
HKAS 24 (Revised)	Related party disclosures	1 January 2011
HK(IFRIC) – Int 14 (Amendment)	Prepayment of a minimum funding requirement	1 January 2011
HKFRS 9	Financial instruments	1 January 2013

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

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

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

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.

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.

(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 and 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(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.

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

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the steering committee that makes strategic decisions. The identification of operating segments is set out in note 6.

(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$), which is the Company's functional and presentation currency.

(ii) Transactions and balances

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

All foreign exchange gains and losses are presented in the income statement within "other gains/(losses), net".

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(ii) Transactions and balances (Continued)

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

(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 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 translation reserve. 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.

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 charged to the income statement during the financial period in which they are incurred.

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

In case revaluation on building is necessary, increases in the carrying amount arising on revaluation of buildings are credited to other property revaluation reserve in other comprehensive income. Decreases that offset previous increases of the same asset are charged against other property revaluation reserve directly in other comprehensive income; 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".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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".

(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 investment property and is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Properties under development and properties for sale

Properties under development are investments in land and buildings on which construction work and development have not been completed. Properties under development are stated at the lower of cost and net realisable value. Land portion comprises prepayments for leasehold land that are measured at amortised cost less accumulated impairment losses. Building portion comprises construction costs and amounts capitalised in respect of amortisation of leasehold land and borrowing costs incurred during the construction period and up to the date of completion of construction. On completion, the properties are reclassified to properties for sale at the then carrying amount.

Properties for sale are stated at lower of cost or net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less selling expenses.

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

Investments in subsidiaries, associates, jointly controlled entities and other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable; in addition, other non-financial 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. 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.

In the Company's balance sheet, impairment testing of the investments in subsidiaries or associates or jointly controlled entities is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary, associate or jointly controlled entity in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(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 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 end of the reporting period, which are classified as non-current assets. The Group's loans and receivables included loans and receivables, trade and other receivables, amounts due from associates, pledged bank deposits, sales proceeds held in stakeholders' accounts, bank balances and cash.

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) 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 the investment matures or management intends to dispose of the investment within 12 months of the balance sheet date.

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. Available-for-sale financial assets subsequently 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.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale 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 other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments previously recognised in investment revaluation reserve are included in the income statement.

Interest on 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 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Impairment of financial assets

(i) Assets carried at amortised cost

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

– significant financial difficulty of the issuer or obligor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

– it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

– the disappearance of an active market for that financial asset because of financial difficulties; or

– observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  (1) adverse changes in the payment status of borrowers in the portfolio;
  (2) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial assets (Continued)

(ii) Assets classified as available-for-sale financial assets

The Group assesses at the balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria refer to (i) above. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from investment revaluation reserve and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the income statement.

(m) 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 hedges of a particular risk associated with a recognised asset or 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 hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 26. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of comprehensive income. 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.

(i) Cash flow hedge

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

Amounts accumulated in hedging reserve are reclassified to profit and loss 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 other properties, plant and equipment), the gains and losses previously deferred in hedging reserve are transferred from hedging reserve 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 other properties, plant and equipment.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

(i) Cash flow hedge (Continued)

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 hedging reserve at that time remains in hedging reserve 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 hedging reserve 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.

(n) 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.

(o) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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.

(p) 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.

(q) Share capital

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

(r) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

(s) 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(t) 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.

(u) 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 in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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.

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.

(v) Employee benefit

(i) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either: terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to their present value.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Employee benefit (Continued)

(iii) Bonus plans

The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) 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.

(v) 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 employee share-based compensation reserve.

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.

(w) 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)

(x) 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.

(y) Operating leases

(i) 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.

(ii) As the lessor to operating leases

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) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability, other than that assumed in a business combination, is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(z) Contingent liabilities and contingent assets (Continued)

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(aa) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantees are initially recognised in the financial statements at fair value, and subsequently measured at the higher of (i) the amount initially recognised less accumulated amortisation; and (ii) the amount required to be settled by the guarantor in respect of the financial guarantee contracts at the balance sheet date.

(bb) 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.

At 31 December 2009, if HK dollars had weakened/strengthened by 5% against Renminbi with all other variables held constant, equity would have been HK$23.0M (2008: HK$17.1M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated operations.

At 31 December 2009, if HK dollars had weakened/strengthened by 5% against Singapore dollars with all other variables held constant, equity would have been HK$16.3M (2008: HK$9.6M) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Singapore dollar-denominated available-for-sale financial assets.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk

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

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

If interest rates on borrowings had been 25 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK$5.1M (2008: HK$5.1M) lower/higher and capitalised interest on "properties for sale" would have been HK$3.5M (2008: HK$3.9M) 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$1.8M (2008: HK$13.4M) higher or HK$0.8M (2008: HK$13.4M) 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$26.2M (2008: HK$12.5M) higher or HK$14.7M (2008: HK$12.5M) 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.

(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. The Group is not exposed to commodity price risk.

At 31 December 2009, 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$26.3M (2008: HK$12.0M) higher/lower before any further impairment.

(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

Cash flow forecasting is performed in the operating entities of the Group. The Group monitors rolling forecasts of its liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements.

3. FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(v) Liquidity risk (Continued)

Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the Group Treasury. Group Treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the above-mentioned forecasts.

The table below analyses the Group's non-derivative 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 date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows and may not reconcile to the amounts in the consolidated balance sheet.

	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 2009				
Bank loans	583.9	1,541.5	2,748.8	155.7
Derivative financial instruments	41.1	26.3	29.0	–
Trade and other payables and accruals	1,002.5	2.0	11.5	–
Amounts due to associates	21.8	–	–	–
Other long-term loans	–	–	–	43.0
Total	1,649.3	1,569.8	2,789.3	198.7
At 31 December 2008				
Bank loans	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

(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 loans 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.

3. FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management (Continued)

The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009 HK$'M	2008 HK$'M
Total borrowings	4,865.4	4,964.8
Less: Bank balances and cash	(700.2)	(496.2)
Net borrowings	4,165.2	4,468.6
Total equity	9,694.1	8,680.2
Gearing ratio	43.0%	51.5%

The decrease in gearing ratio is mainly due to cash received from rights issue in 2009.

(c) Fair value estimation

Effective from 1 January 2009, the group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

– Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

– Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

– Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1 HK$'M	Level 2 HK$'M	Level 3 HK$'M	Total HK$'M
Assets				
Available-for-sale financial assets				
– listed securities	265.2	–	–	265.2
– unlisted securities	–	137.5	31.3	168.8
Total assets	265.2	137.5	31.3	434.0
Liabilities				
Derivative financial instruments				
– interest rate swap	–	96.1	–	96.1
– forward foreign exchange contracts	–	0.3	–	0.3
Total liabilities	–	96.4	–	96.4

3. FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

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. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

– quoted market prices or dealer quotes for similar instruments.

– the fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

– the fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

– other techniques, such as discounted cash flow analysis and price/earning multiple model, are used to determine fair value for the remaining financial instruments.

The following table presents the changes in level 3 instruments for the year ended 31 December 2009.

	Available-for-sale financial assets HK$'M
Opening balance	35.1
Repayments from investee companies	(3.8)
Closing balance	31.3

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(a) Critical accounting estimates and assumptions (Continued)

(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 2009. These valuations were carried out in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors which defines market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgably, prudently and without compulsion".

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

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

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

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

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

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

The Group follows the guidance of HKAS 39 to determine when an available-for-sale financial asset 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

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

(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.

(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:

	2009 HK$'M	2008 HK$'M
Sale of properties	76.4	162.4
Sale of garment and branded products	729.3	1,123.6
Rental and property management income	374.2	334.4
Dividend income from available-for-sale financial assets	27.2	44.1
	1,207.1	1,664.5

6. SEGMENT INFORMATION

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

Segment information reported to the Group's management for the purposes of resources allocation and assessment of performance are analysed on the basis of the Group's operating divisions (i.e. property development, property investment and management, hospitality investment and management, garment manufacturing, branded products distribution, investing activities and corporate). As a result, following the adoption of HKFRS 8, the presentation of the Group's reportable segments has changed in a manner consistent with the internal reporting. Comparatives for 2008 segment disclosures have been restated.

6. SEGMENT INFORMATION (Continued)

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Garment manufacturing HK$'M	Branded products distribution HK$'M	Investing activities HK$'M	Corporate HK$'M	Elimination HK$'M	Consolidated HK$'M
For the year ended 31 December 2009									
REVENUE									
External sales	76.4	282.8	91.4	515.1	214.2	27.2	–	–	1,207.1
Inter-segment sales	–	19.8	–	–	–	–	–	(19.8)	–
Total	76.4	302.6	91.4	515.1	214.2	27.2	–	(19.8)	1,207.1
RESULTS									
Segment results before change in fair value of investment properties	10.3	131.0	50.9	3.0	(32.2)	32.3	(85.5)	–	109.8
Change in fair value of investment properties	–	333.3	27.6	3.0	–	–	–	–	363.9
Reportable segment results	10.3	464.3	78.5	6.0	(32.2)	32.3	(85.5)	–	473.7
Reconciliations:									
Fair value gain on derivative financial instruments	–	63.1	–	–	–	–	–	–	63.1
Profit from operations	10.3	527.4	78.5	6.0	(32.2)	32.3	(85.5)	–	536.8
Finance income	31.5	–	3.1	1.6	0.7	0.1	0.3	(1.7)	35.6
Finance costs	(8.4)	(63.5)	(12.7)	(0.5)	(1.3)	(0.3)	(3.9)	1.7	(88.9)
Share of results of associates	1.6	–	6.1	–	–	(8.4)	–	–	(0.7)
Profit before taxation	35.0	463.9	75.0	7.1	(32.8)	23.7	(89.1)	–	482.8
Taxation									(102.9)
Profit for the year									379.9
Other items									
Depreciation and amortisation	4.7	5.6	–	3.7	6.4	–	2.0	–	22.4
Loss on disposal of other properties, plant and equipment	–	–	–	0.4	–	–	3.1	–	3.5
(Write back of)/provision for trade receivables, net	(10.5)	–	–	0.8	–	–	–	–	(9.7)

6. SEGMENT INFORMATION (Continued)

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Garment manufacturing HK$'M	Branded products distribution HK$'M	Investing activities HK$'M	Corporate 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 available-for-sale financial assets	62.4	120.0	53.8	(23.0)	(15.8)	36.1	(85.5)	–	148.0
Change in fair value of investment properties	–	531.6	9.9	–	–	–	–	–	541.5
Impairment of available-for-sale financial assets	–	–	–	–	–	(235.4)	–	–	(235.4)
Reportable segment results	62.4	651.6	63.7	(23.0)	(15.8)	(199.3)	(85.5)	–	454.1
Reconciliations:									
Fair value loss on derivative financial instruments	–	(59.3)	–	–	–	–	–	–	(59.3)
Profit from operations	62.4	592.3	63.7	(23.0)	(15.8)	(199.3)	(85.5)	–	394.8
Finance income	20.9	1.4	5.4	12.3	1.4	0.8	15.5	(23.1)	34.6
Finance costs	(9.0)	(47.7)	(21.6)	(4.1)	(3.3)	(0.3)	(11.4)	14.8	(82.6)
Share of results of associates	5.6	–	(9.2)	–	–	(9.4)	–	–	(13.0)
Profit before taxation	79.9	546.0	38.3	(14.8)	(17.7)	(208.2)	(81.4)	(8.3)	333.8
Taxation									(61.8)
Profit for the year									272.0
Other items									
Depreciation and amortisation	0.1	5.8	0.1	10.3	6.8	–	2.3	–	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

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

6. SEGMENT INFORMATION (Continued)

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Garment manufacturing HK$'M	Branded products distribution HK$'M	Investing activities HK$'M	Corporate HK$'M	Consolidated HK$'M
The segment assets and liabilities at 31 December 2009 and capital expenditure for the year then ended are as follows:								
ASSETS								
Segment assets	4,179.0	9,437.2	1,571.9	294.3	176.0	434.1	252.8	16,345.3
Interests in associates	522.5	51.6	43.8	–	–	–	–	617.9
Other assets								14.9
Consolidated total assets								16,978.1
LIABILITIES								
Segment liabilities	(527.2)	(345.8)	(15.4)	(87.9)	(56.2)	(13.5)	(29.8)	(1,075.8)
Other liabilities								(6,208.2)
Consolidated total liabilities								(7,284.0)
Capital expenditure	323.7	56.3	37.2	4.6	14.6	11.2	6.9	454.5
The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:								
ASSETS								
Segment assets	3,675.6	9,070.3	1,491.4	394.1	138.5	309.0	84.5	15,163.4
Interests in associates	520.8	50.2	37.7	–	–	–	0.9	609.6
Other assets								15.0
Consolidated total assets								15,788.0
LIABILITIES								
Segment liabilities	(259.8)	(317.9)	(20.1)	(118.2)	(56.0)	(11.0)	(16.1)	(799.1)
Other liabilities								(6,308.7)
Consolidated total liabilities								(7,107.8)
Capital expenditure	440.5	1,187.0	206.9	8.3	5.0	13.9	3.4	1,865.0

6. SEGMENT INFORMATION (Continued)

Segment assets consist primarily of leasehold land and land use rights, investment properties, other properties, plant and equipment, available-for-sale financial assets, loans and receivables, held-to-maturity investments, inventories, properties for sale, trade and other receivables, deposits and prepayments, sales proceeds held in stakeholders' accounts, amount due from associates, pledged bank deposit and bank balances and cash. Other assets comprise mainly derivative financial instruments, tax recoverable and deferred tax assets.

Segment liabilities comprise operating liabilities. Other 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 for sale, and other properties, plant and equipment, including additions resulting from acquisitions through business combinations.

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	
	2009 HK$'M	2008 HK$'M
North America	**354.9**	600.8
Hong Kong	**422.6**	471.8
United Kingdom	**206.0**	274.4
Others	**223.6**	317.5
	1,207.1	1,664.5

The following is an analysis of the Group's total assets, non-current assets other than financial instruments and deferred tax assets, and capital expenditure by geographical areas in which the assets are located.

	Total assets At 31 December		Non-current assets other than financial instruments and deferred tax assets At 31 December		Capital expenditure Year ended 31 December	
	2009 HK$'M	2008 HK$'M	**2009 HK$'M**	2008 HK$'M	**2009 HK$'M**	2008 HK$'M
Hong Kong	**14,698.9**	13,725.7	**10,360.8**	9,970.1	**378.9**	1,646.6
The PRC	**1,188.5**	1,123.6	**810.6**	686.8	**25.9**	213.3
United Kingdom	**189.6**	150.9	**69.0**	55.3	**14.6**	5.0
North America	**16.6**	41.5	**–**	–	**–**	–
Singapore	**845.3**	709.6	**493.9**	490.9	**–**	–
Others	**39.2**	36.7	**35.2**	1.2	**35.1**	0.1
	16,978.1	15,788.0	**11,769.5**	11,204.3	**454.5**	1,865.0

7. OTHER GAINS/(LOSSES), NET

	2009 HK$'M	2008 HK$'M
Amortisation of interest income on held-to-maturity investments	6.1	1.0
Exchange gains, net	15.7	3.3
Gain on disposal of subsidiaries	–	11.8
Goodwill write off on acquisition of minority interests	(1.9)	–
Impairment on available-for-sale financial assets	(0.3)	–
Interest income on loans to associates	10.9	10.3
Net fair value loss on financial assets at fair value through profit or loss	–	(5.7)
Net fair value gain/(loss) on derivative financial instruments	63.1	(55.8)
Realised gain on available-for-sale financial assets	0.6	0.4
Sale of scrap materials	1.1	–
Write back of provision for construction costs	–	7.6
Others	10.4	12.9
	105.7	(14.2)

8. PROFIT FROM OPERATIONS

	2009 HK$'M	2008 HK$'M
Profit from operations has been arrived at after charging/(crediting) the following:		
Staff costs including directors' remuneration (Note 9)	257.0	317.6
Retirement benefits costs, net of negligible forfeited contributions	7.0	8.4
Total staff costs (Note)	264.0	326.0
Share-based compensation expenses (Note)	7.9	6.4
Auditor's remuneration		
– current year	5.7	5.2
– underprovision in prior year	1.5	1.9
Cost of inventories included in cost of sales	470.3	741.6
Cost of sales of properties included in cost of sales	36.0	63.4
Depreciation and amortisation		
– trademark (Note 21)	0.1	0.1
– leasehold land and land use rights (Note 14)	0.4	0.6
– other properties, plant and equipment (Note 17)	21.9	24.7
Loss on disposal of other properties, plant and equipment	3.5	4.3
Direct operating expenses arising from investment properties	111.1	58.5
Gain on disposal of subsidiaries	–	(11.8)
Goodwill write off on acquisition of minority interests	1.9	–
Impairment on available-for-sale financial assets	0.3	235.4
Net fair value loss on financial assets at fair value through profit or loss	–	5.7
Net fair value (gain)/loss on derivative financial instruments	(63.1)	55.8
Realised gain on available-for-sale financial assets	(0.6)	(0.4)
(Write back of)/provision for receivables	(9.7)	17.4
(Write back of)/provision for properties for sale	(1.4)	1.1
Write back of diminution in value of inventories	–	(3.0)
Reversal of impairment of leasehold land and land use rights (Note 14)	–	(0.2)
Provision for impairment of other properties, plant and equipment, net (Note 17)	–	2.2
Selling and marketing expenses for branded products distribution	95.5	95.0

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

	2009 HK$'M	2008 HK$'M
Directors' fees	2.8	2.8
Other directors' emoluments (Note)		
– Salaries and allowances	15.1	15.1
– Discretionary bonus	4.8	3.5
– Retirement benefits costs-defined contribution plan	0.8	0.8
Value of share options and incentive shares	5.1	4.2
	28.6	26.4

Note:

Details of the remuneration of directors for the year ended 31 December 2009 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	Sub-total HK$'000	Value of share options and incentive shares HK$'000	Total HK$'000
Executive directors							
CHENG Wai Chee, Christopher	1,825	2,269	–	113	4,207	2,028	6,235
CHENG Wai Sun, Edward	65	5,893	2,500	272	8,730	2,028	10,758
CHENG Man Piu, Francis	25	–	–	–	25	–	25
CHOW Wai Wai, John	65	2,465	986	248	3,764	–	3,764
NG Tak Wai, Frederick	25	1,480	90	12	1,607	107	1,714
AU Hing Lun, Dennis	65	3,000	1,200	140	4,405	931	5,336
Non-executive directors							
KWOK Ping Luen, Raymond	50	–	–	–	50	–	50
WONG Yick Kam, Michael	50	–	–	–	50	–	50
HONG Pak Cheung, William	50	–	–	–	50	–	50
LOH Soo Eng	50	–	–	–	50	–	50
Independent non-executive directors							
Simon MURRAY	195	–	–	–	195	38	233
FANG Hung, Kenneth	195	–	–	–	195	–	195
YEUNG Kit Shing, Jackson	195	–	–	–	195	–	195
Total	2,855	15,107	4,776	785	23,523	5,132	28,655

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 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	Sub-total HK$'000	Value of share options and incentive shares HK$'000	Total HK$'000
Executive directors							
CHENG Wai Chee, Christopher	1,825	2,269	–	113	4,207	1,692	5,899
CHENG Wai Sun, Edward	65	5,893	1,650	272	7,880	1,692	9,572
CHENG Man Piu, Francis	25	–	–	–	25	–	25
CHOW Wai Wai, John	65	2,465	986	249	3,765	–	3,765
NG Tak Wai, Frederick	25	1,480	75	12	1,592	119	1,711
AU Hing Lun, Dennis	65	3,000	775	141	3,981	622	4,603
Non-executive directors							
KWOK Ping Luen, Raymond	50	–	–	–	50	–	50
WONG Yick Kam, Michael	50	–	–	–	50	–	50
HONG Pak Cheung, William	50	–	–	–	50	–	50
LOH Soo Eng	50	–	–	–	50	–	50
Independent non-executive directors							
Simon MURRAY	195	–	–	–	195	78	273
FANG Hung, Kenneth	195	–	–	–	195	–	195
YEUNG Kit Shing, Jackson	195	–	–	–	195	–	195
Total	2,855	15,107	3,486	787	22,235	4,203	26,438

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 (2008: Nil). None of the directors has waived any emoluments during the year (2008: 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 2009 included four (2008: four) executive directors of the Company whose emoluments are included above. The emoluments of the remaining one (2008: one) highest paid individual are as follows:

	2009 HK$'M	2008 HK$'M
Salaries and allowances	2.3	1.3
Discretionary bonus	0.6	1.7
Retirement benefits costs-defined contribution plan	0.1	–
	3.0	3.0

The emoluments fell within the following bands:

	Number of individual	
	2009	2008
Emoluments bands		
HK$3,000,001 – HK$3,500,000	1	1

10. FINANCE COSTS AND FINANCE INCOME

	2009 HK$'M	2008 HK$'M
Finance costs		
Interest expenses on:		
– bank and other borrowings wholly repayable within five years	86.3	108.7
– bank and other borrowings not wholly repayable within five years	15.1	44.7
Total borrowing costs	101.4	153.4
Less: Interest capitalised in properties for sale (Note a)	(12.5)	(70.8)
	88.9	82.6
Finance income		
– bank interest income	(1.1)	(11.8)
– other interest income (Note b)	(34.5)	(22.8)
	(35.6)	(34.6)

Notes:

(a) The borrowing costs have been capitalised at rates ranging from 0.4% to 4.9% per annum (2008: from 0.6% to 4.9% 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% (2008: 16.5%) 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:

	2009 HK$'M	2008 HK$'M
Current taxation		
– Hong Kong profits tax	21.8	27.3
– Under/(over)-provision in prior years	0.9	(0.4)
– Taxation in other jurisdictions	0.7	2.0
	23.4	28.9
Deferred taxation (Note 32)		
– Origination and reversal of temporary differences	79.5	93.7
– Effect on tax rate change announced and effective in 2008	–	(60.8)
	79.5	32.9
	102.9	61.8

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:

	2009 HK$'M	2008 HK$'M
Profit before taxation	482.8	333.8
Tax calculated at Hong Kong profits tax rate of 16.5% (2008: 16.5%)	79.7	55.1
Expenses not deductible for tax purpose	21.0	61.0
Income not subject tax	(29.6)	(22.9)
Net increase in unrecognised tax losses and other temporary differences	31.4	29.5
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.8)	(1.8)
Remeasurement of deferred tax – change in Hong Kong tax rate	–	(60.8)
Under/(over)-provision in prior years	0.9	(0.4)
Tax effect of share of results of associates	0.3	2.1
Taxation for the year	102.9	61.8

11. TAXATION (Continued)

The tax charge relating to components of other comprehensive income is as follows:

	2009 Before tax HK$'M	2009 Tax charge HK$'M	2009 After tax HK$'M	2008 Before tax HK$'M	2008 Tax charge HK$'M	2008 After tax HK$'M
Net surplus arising on revaluation of other properties, plant and equipment upon transfer to investment properties	12.8	(2.1)	10.7	21.8	–	21.8
Exchange differences on translation of foreign operations	(7.2)	–	(7.2)	16.4	–	16.4
Net surplus/(deficit) arising on revaluation of available-for-sale financial assets						
– Fair value surplus/(deficit)	144.5	–	144.5	(178.8)	–	(178.8)
– Realised deficit on distribution	–	–	–	(28.7)	–	(28.7)
– Realised deficit on disposal	–	–	–	(7.4)	–	(7.4)
Impairment on available-for-sale financial assets transferred to consolidated income statement	–	–	–	235.4	–	235.4
Translation reserve realised upon disposal of subsidiaries	–	–	–	0.1	–	0.1
Net loss on cash flow hedge						
– Fair value losses	(56.6)	–	(56.6)	(63.8)	–	(63.8)
– Realised upon settlement	39.7	–	39.7	18.8	–	18.8
Other comprehensive income for the year	133.2	(2.1)	131.1	13.8	–	13.8
Deferred taxation		(2.1)			–	

12. DIVIDENDS

	2009 HK$'M	2008 HK$'M
Interim dividend paid on 13 October 2009 of HK1.5 cents (2008: HK3.5 cents) per ordinary share	14.8	34.6
Proposed final dividend of HK4.0 cents (2008: HK1.5 cents) per ordinary share	52.8	14.8
	67.6	49.4

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 reserves for the year ending 31 December 2010.

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.

	2009 HK$'M	2008 HK$'M
Profit attributable to equity holders of the Company	279.0	193.4
		(Restated)
Weighted average number of ordinary shares in issue	1,095,612,328	1,081,766,413
Basic earnings per share	HK$0.25	HK$0.18

(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.

	2009 HK$'M	2008 HK$'M
Profit attributable to the equity holders of the Company	279.0	193.4
		(Restated)
Weighted average number of ordinary shares in issue	1,095,612,328	1,081,766,413
Effect of dilutive potential shares issuable under the Company's share option and share incentive schemes	2,950,332	2,740,852
Weighted average number of shares for the purpose of calculating diluted earnings per share	1,098,562,660	1,084,507,265
Diluted earnings per share	HK$0.25	HK$0.18

The weighted average numbers of shares in 2008 for the purpose of calculating the basic and diluted earnings per share have been adjusted for the Company's rights issue in 2009.

14. LEASEHOLD LAND AND LAND USE RIGHTS

	THE GROUP	
	2009 HK$'M	2008 HK$'M
At 1 January	41.8	5,772.4
Fair value gain on land use rights reclassified as investment properties	1.4	4.1
Transfer to investment properties (Note 15)	(4.5)	(3,562.7)
Transfer to properties under development held for sale	–	(2,612.0)
Additions	–	440.4
Reversal of impairment	–	0.2
Amortisation	(0.4)	(0.6)
At 31 December	38.3	41.8

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	
	2009 HK$'M	2008 HK$'M
In Hong Kong, held on:		
Leases of over 50 years	28.5	28.6
Leases of between 10 to 50 years	6.4	9.7
Outside Hong Kong, held on:		
Leases of between 10 to 50 years	3.4	3.5
	38.3	41.8

15. INVESTMENT PROPERTIES

	THE GROUP	
	2009 HK$'M	2008 HK$'M
At 1 January	10,098.1	3,463.0
Exchange adjustments	1.1	4.1
Cost adjustment	–	(7.3)
Fair value gain	363.9	554.1
Additions	28.2	1.9
Disposals	–	(1.1)
Transfer from other properties, plant and equipment (Note 17)	36.2	61.6
Transfer from leasehold land and land use rights (Note 14)	4.5	3,562.7
Transfer from properties under development (Note 16)	–	2,459.1
At 31 December	10,532.0	10,098.1
Investment properties comprise:		
Properties in Hong Kong held on:		
Leases of over 50 years	999.3	930.0
Leases of between 10 to 50 years	9,195.4	8,864.4
Properties outside Hong Kong held on:		
Leases of over 50 years	263.6	233.4
Leases of between 10 to 50 years	73.7	70.3
	10,532.0	10,098.1

The Group's investment properties were valued on an open market value basis as at 31 December 2009 by Savills, Jones Lang LaSalle and B.I. Appraisals. The valuations have been made with reference to current prices in an active market.

16. PROPERTIES UNDER DEVELOPMENT

	THE GROUP 2009 HK$'M	THE GROUP 2008 HK$'M
At 1 January	–	1,175.5
Additions	–	1,390.6
Transfer to investment properties (Note 15)	–	(2,459.1)
Transfer to properties under development held for sale	–	(107.0)
At 31 December	–	–

17. OTHER PROPERTIES, PLANT AND EQUIPMENT

	Freehold properties HK$'M (Note a)	Buildings HK$'M (Note b)	Furniture, fixtures and equipment HK$'M	Motor vehicles HK$'M	Plant and machinery HK$'M	Total HK$'M
THE GROUP						
COST OR VALUATION						
At 1 January 2009	51.7	130.7	113.1	10.5	58.9	364.9
Exchange differences	4.8	1.4	4.6	–	–	10.8
Fair value gain on buildings reclassified as investment properties	–	11.4	–	–	–	11.4
Additions	–	0.3	52.2	1.6	2.8	56.9
Transfer to investment properties (Note 15)	–	(44.0)	–	–	–	(44.0)
Disposals	–	–	(14.4)	(2.2)	(19.5)	(36.1)
At 31 December 2009	56.5	99.8	155.5	9.9	42.2	363.9
Comprising:						
At cost	56.5	86.9	155.5	9.9	42.2	351.0
At 1994 valuation (Note c)	–	12.9	–	–	–	12.9
	56.5	99.8	155.5	9.9	42.2	363.9
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2009	4.6	29.9	87.4	6.5	55.0	183.4
Exchange differences	0.5	1.4	3.3	–	–	5.2
Provided for the year	0.3	3.1	16.1	1.8	0.6	21.9
Transfer to investment properties (Note 15)	–	(7.8)	–	–	–	(7.8)
Disposals	–	–	(10.9)	(2.2)	(18.4)	(31.5)
At 31 December 2009	5.4	26.6	95.9	6.1	37.2	171.2
NET BOOK VALUE						
At 31 December 2009	51.1	73.2	59.6	3.8	5.0	192.7

17. OTHER PROPERTIES, PLANT AND EQUIPMENT (Continued)

	Freehold properties HK$'M (Note a)	Buildings HK$'M (Note b)	Furniture, fixtures and equipment HK$'M	Motor vehicles HK$'M	Plant and machinery HK$'M	Total HK$'M
THE GROUP						
COST OR VALUATION						
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)

Notes:

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

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

	THE GROUP	
	2009 HK$'M	2008 HK$'M
Properties held on leases of over 50 years in Hong Kong	8.2	8.4
Properties held on leases of between 10 to 50 years		
– in Hong Kong	47.0	73.9
– outside Hong Kong	17.9	18.1
Properties held on leases of less than 10 years outside Hong Kong	0.1	0.4
	73.2	100.8

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

18. INVESTMENTS IN SUBSIDIARIES/AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	THE COMPANY	
	2009 HK$'M	2008 HK$'M
Investments, at cost		
Share listed in Hong Kong	2.658.2	2,658.2
Unlisted shares	590.8	590.8
Investments in subsidiaries	3,249.0	3,249.0
Amounts due from subsidiaries	946.7	552.6
Amounts due to subsidiaries	(0.2)	(0.2)

Note:

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 2009 are set out in Note 42.

19. ASSOCIATES

(a) Interests in associates

	THE GROUP 2009 HK$'M	THE GROUP 2008 HK$'M
Share of net assets	337.5	343.7
Loans to associates (Note (iii))	280.4	265.9
	617.9	609.6

Details of the principal associates at 31 December 2009 are set out in Note 44.

Notes:

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

	2009 HK$'M	2008 HK$'M
At 1 January	609.6	652.1
Exchange difference	0.8	1.7
Share of results	(0.7)	(13.0)
Dividends from associates	(6.3)	(55.7)
Share of reserves	–	3.9
Interest income on loans to associates	10.9	10.3
Net receipts/(repayments) of loans to associates	3.6	(14.6)
A subsidiary become an associate after partial disposal of interest	–	24.9
At 31 December	617.9	609.6

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

	2009 HK$'M	2008 HK$'M
Results for the year ended 31 December:		
Revenue	38.2	50.1
Loss for the year	(0.7)	(13.0)
Financial position at 31 December:		
Non-current assets	1,657.0	1,093.1
Current assets	155.4	125.7
Current liabilities	(763.6)	(248.9)
Non-current liabilities	(711.3)	(626.2)
Net assets	337.5	343.7

(iii) The advances are unsecured, carry interest at market rates and not repayable within one year. Except for an amount of HK$6.7M (2008: HK$6.7M) denominated in United States dollars, the remaining balance is denominated in Hong Kong dollars.

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

20. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	THE GROUP	
	2009 HK$'M	2008 HK$'M
Listed equity securities (Note a)		
– Singapore	263.7	120.6
– United Kingdom	1.5	1.1
	265.2	121.7
Other investments (Note b)	168.8	182.4
	434.0	304.1
Analysed as		
Non-current	434.0	301.2
Current	–	2.9
	434.0	304.1
Market value of listed securities	265.2	121.7

Notes:

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

	2009	2008
Singapore dollars	263.7	120.6
UK pound	1.5	1.1
	265.2	121.7

(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 the investments and determined that there were impairment of HK$0.3M for the year (2008: HK$235.4M).

21. LOANS AND RECEIVABLES

	THE GROUP 2009 HK$'M	2008 HK$'M
Trademark (Note a)	0.3	0.3
Loans to joint venture partners (Note b)	271.4	163.9
Prepayments for land grant (Note c)	108.1	132.5
Deposit for acquisition of investment properties (Note d)	35.0	–
	414.8	296.7
Analysed as		
Current	26.2	23.4
Non-current	388.6	273.3
	414.8	296.7

Notes:

(a) The trademark is related to the Group's hospitality operations and is amortised over an estimated useful life of ten years. Amortisation of HK$0.1M (2008: HK$0.1M) is included in the administrative expenses in the consolidated income statement.

(b) The loans are secured, interest bearing at rates ranging from 12% to 15% (2008: 12% to 15%) and not repayable within one year from the balance sheet date except for an amount of HK$26.2M (2008: HK$23.4M) which is repayable within one year. The loans are denominated in United States dollars.

(c) 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.

(d) In 2009, the Group entered into an agreement to acquire certain investment properties located in Malaysia. The Group anticipates to complete the acquisition in 2011.

(e) 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, denominated in Hong Kong dollars with nominal amounts of HK$50,000,000. The effective interest rate for calculation of amortised interest income is approximately 23% per annum.

23. INVENTORIES

	THE GROUP 2009 HK$'M	2008 HK$'M
Raw materials	7.0	6.7
Work in progress	25.2	32.2
Finished goods	70.0	48.6
	102.2	87.5

24. PROPERTIES FOR SALE

	THE GROUP	
	2009 HK$'M	2008 HK$'M
Properties under development held for sale		
Leasehold land and land use rights	2,692.1	2,644.0
Development costs	724.2	423.7
	3,416.3	3,067.7
Completed properties		
Leasehold land and land use rights	0.3	5.9
Development costs	5.0	33.6
Freehold land and buildings	10.9	8.7
	16.2	48.2
	3,432.5	3,115.9
Properties for sale comprise:		
Net book value of leasehold land and land use rights of leases of		
– over 50 years in Hong Kong	1,125.3	1,108.2
– between 10 to 50 years in Hong Kong	1,476.0	1,478.5
– between 10 to 50 years outside Hong Kong	91.1	63.2
Freehold land and buildings outside Hong Kong	10.9	8.7
	2,703.3	2,658.6

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	THE GROUP	
	2009 HK$'M	2008 HK$'M
Trade receivables	68.0	233.7
Less: provision for impairment	(12.2)	(36.2)
Trade receivables (net of provision)	55.8	197.5
Other receivables, deposits and prepayments	116.2	238.0
	172.0	435.5

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

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

The Group allows different credit periods to its customers. Credit periods vary from 30 to 90 days in accordance with industry practice. The following is an ageing analysis of the Group's trade receivables (net of provision) at 31 December, based on the due dates:

	2009 HK$'M	2008 HK$'M
Not yet due	24.7	80.3
1 – 30 days	19.2	49.7
31 – 90 days	10.4	58.3
Over 90 days	1.5	9.2
	55.8	197.5

As of 31 December 2009, trade receivables of HK$31.1M (2008: HK$97.9M) 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:

	2009 HK$'M	2008 HK$'M
1 – 30 days	19.2	49.7
31 – 90 days	10.4	39.0
Over 90 days	1.5	9.2
	31.1	97.9

As of 31 December 2009, trade receivables of HK$12.2M (2008: HK$115.6M) were impaired. The amount of provision was HK$12.2M as of 31 December 2009 (2008: HK$36.2M). 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:

	2009 HK$'M	2008 HK$'M
Not yet due	–	71.3
1 – 30 days	–	0.2
31 – 90 days	–	23.4
Over 90 days	12.2	20.7
	12.2	115.6

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

	2009 HK$'M	2008 HK$'M
HK dollars	16.1	107.1
US dollars	27.7	77.6
UK pound	10.8	10.7
Other currencies	1.2	2.1
	55.8	197.5

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

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

	2009 HK$'M	2008 HK$'M
At 1 January	36.2	21.4
Provision for impairment	0.6	17.4
Amount recovered during the year	(11.7)	–
Release of provision for impairment resulting from write off of receivables	(12.9)	(2.6)
At 31 December	12.2	36.2

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.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. At the balance sheet date, the Group held collaterals as security against certain trade receivables amounting to HK$1.3M (2008: HK$94.6M).

Other receivables and deposits do not contain impaired assets.

26. DERIVATIVE FINANCIAL INSTRUMENTS

	THE GROUP			
	2009		2008	
	Assets HK$'M	Liabilities HK$'M	Assets HK$'M	Liabilities HK$'M
Interest rate swaps				
– cash flow hedges	–	(89.2)	–	(72.3)
– not qualifying as hedges	–	(6.9)	–	(73.9)
	–	(96.1)	–	(146.2)
Forward foreign exchange contracts				
– cash flow hedges	–	(0.2)	–	–
– not qualifying as hedges	–	(0.1)	0.6	–
	–	(0.3)	0.6	–
Total	–	(96.4)	0.6	(146.2)
Analysed as				
Current	–	(41.1)	0.6	(40.4)
Non-current	–	(55.3)	–	(105.8)
	–	(96.4)	0.6	(146.2)

The aggregate notional principal amounts of the interest rate swap and forward foreign exchange contracts are HK$1,000.0M and HK$25.5M respectively (2008: HK$1,000.0M and HK$19.2M respectively).

The portion of changes in fair value of derivative financial instruments not qualify as hedges is recognised in the income statement and amounted to a gain of HK$63.1M (2008: loss of HK$55.8M) (Note 7).

27. CASH AND CASH EQUIVALENTS

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

	THE GROUP		THE COMPANY	
	2009 HK$'M	2008 HK$'M	2009 HK$'M	2008 HK$'M
Bank balances and cash	700.2	496.2	202.8	0.1
Bank overdrafts, unsecured (Note 29)	–	(0.6)	–	–
	700.2	495.6	202.8	0.1

Bank balances and cash include short-term bank deposits of HK$421.6M (2008: HK$197.3M) with an average effective interest rate of 0.2% (2008: 0.54%) per annum.

Cash and cash equivalents held by the Group's jointly controlled entities and accounted for under proportionate consolidation amounted to HK$60.9M (2008: HK$54.5M).

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

	2009 HK$'M	2008 HK$'M
HK dollars	567.8	343.9
US dollars	83.3	109.6
UK pound	16.2	27.3
Renminbi	31.1	12.4
Other currencies	1.8	2.4
	700.2	495.6
Maximum exposure to credit risk	700.2	496.2

28. TRADE AND OTHER PAYABLES AND ACCRUALS

	THE GROUP	
	2009 HK$'M	2008 HK$'M
Trade payables	102.3	106.1
Other payables and accruals	913.2	635.5
	1,015.5	741.6

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

	2009 HK$'M	2008 HK$'M
0 – 30 days	81.4	92.2
31 – 90 days	17.0	10.8
Over 90 days	3.9	3.1
	102.3	106.1

28. TRADE AND OTHER PAYABLES AND ACCRUALS (Continued)

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

	2009 HK$'M	2008 HK$'M
HK dollars	67.9	69.1
US dollars	2.1	5.6
UK pound	16.3	19.6
Renminbi	5.7	5.3
Other currencies	10.3	6.5
	102.3	106.1

Other payable and accruals include mainly construction cost accrual, rental deposits received and properties sales deposits. Included in other payables and accruals are balances of HK$31.2M (2008: HK$31.0M) and HK$95.6M (2008: HK$138.5M) which are denominated in UK pound and Renminbi respectively. The remaining balances are mainly denominated in HK dollars.

29. SHORT-TERM BANK LOANS AND OVERDRAFTS

	THE GROUP	
	2009 HK$'M	2008 HK$'M
Bank overdrafts, unsecured	–	0.6

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

	2009 HK$'M	2008 HK$'M
HK dollars	–	0.4
US dollars	–	0.2
	–	0.6

30. BANK LOANS

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

	THE GROUP	
	2009 HK$'M	2008 HK$'M
Within one year	540.6	489.0
Between one to two years	1,500.6	868.0
Between two to five years	2,662.7	3,391.4
After five years	118.5	173.5
	4,822.4	4,921.9
Less: Amounts due within one year shown under current liabilities	(540.6)	(489.0)
Amounts due after one year	4,281.8	4,432.9
Analysed as		
secured	4,822.4	4,706.9
unsecured	–	215.0
	4,822.4	4,921.9

Bank loans are secured by certain properties, available-for-sale financial assets and bank deposits of the Group amounting to HK$14,021.3M (2008: HK$13,285.5M) (Note 39).

The bank loans are denominated in the following currencies:

	2009 HK$'M	2008 HK$'M
HK dollars	4,606.5	4,728.4
Renminbi	124.3	124.0
UK pound	91.6	58.7
Singapore dollars	–	10.8
	4,822.4	4,921.9

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

	2009	2008
HK dollars	0.85%	1.71%
Renminbi	5.91%	7.52%
UK pound	1.52%	2.75%
Singapore dollars	–	2.83%

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

31. OTHER LONG-TERM LOANS

	THE GROUP	
	2009	2008
	HK$'M	HK$'M
Interest free loans	43.0	42.3

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:

	2009	2008
	HK$'M	HK$'M
HK dollars	32.5	32.5
US dollars	10.5	9.8
	43.0	42.3

The carrying amounts of the loans approximate their fair values.

32. DEFERRED TAXATION

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

	THE GROUP	
	2009	2008
	HK$'M	HK$'M
Deferred tax liabilities	1,258.1	1,175.8
Deferred tax assets	(10.2)	(9.7)
	1,247.9	1,166.1

32. DEFERRED TAXATION (Continued)

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

	Tax depreciation HK$'M	Revaluation of properties HK$'M	Tax losses HK$'M	Total HK$'M
At 1 January 2008	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
Exchange adjustments	–	0.2	–	0.2
Charged/(credited) to income statement for the year (Note 11)	78.1	63.6	(62.2)	79.5
Charged to other property revaluation reserve for the year	–	2.1	–	2.1
At 31 December 2009	155.0	1,186.4	(93.5)	1,247.9

At 31 December 2009, the Group has unused tax losses and other temporary differences of approximately HK$1,240.7M (2008: HK$714.7M) available for offset against future profits. Deferred tax asset has been recognised in respect of HK$562.0M (2008: HK$181.3M) 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$678.7M (2008: HK$533.4M) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of HK$40.7M (2008: HK$52.5M) that will expire in the next five years. Other losses may be carried forward indefinitely.

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

33. SHARE CAPITAL

	Number of shares	Amount HK$'M
Ordinary shares of HK$0.50 each		
Authorised:		
At 1 January 2008, 31 December 2008 and 31 December 2009	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2008	987,496,918	493.7
Issue of shares on exercise of incentive shares (Note 34(b))	1,483,500	0.8
At 31 December 2008	988,980,418	494.5
Issue of shares on exercise of incentive shares (Note 34(b))	459,500	0.2
Issue of shares on rights issue	329,813,306	164.9
At 31 December 2009	1,319,253,224	659.6

33. SHARE CAPITAL (Continued)

On 18 December 2009, the Company has completed a rights issue and raised funds of approximately HK$549.4M (net of issue expenses) by issuing 329,813,306 rights shares at a price of HK$1.7 per rights share on the basis of one rights share for every three existing shares held by qualifying shareholders.

34. SHARE OPTION SCHEME AND SHARE INCENTIVE SCHEME

(a) Share Option Scheme

Under the Share Option Scheme of the Company adopted on 10 June 2003 ("Share Option Scheme"), the Board of Directors of the Company, may in its absolute discretion, grant options to directors and employees of the Group to subscribe for shares of the Company, subject to a maximum of 51,762,534 representing 10% of the issued share capital of the Company as at 10 June 2003. The maximum number of options granted to any one individual in any 12-month period shall not exceed 1% of the issued share capital of the Company. The purpose of the Share Option Scheme is to enable the Company to grant options to selected participants as incentives for their contributions to the Group. A consideration of HK$1 is payable on acceptance of the grant of options. Options granted must be taken up within 28 days from the date of grant. The exercise price for an option to subscribe for a share is determined by the directors of the Company, and shall be at least the highest of: (i) the closing price of the shares of the Company as stated in the 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 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 adjusted as a result of the rights issue	As at 1.1.2009	Adjusted as a result of the rights issue	As at 31.12.2009	Fair value of share options recorded in 2009 HK$
Simon MURRAY	19.4.2005	HK$1.941	1,000,000	94,737	1,094,737	38,000

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.

In December 2009, the exercise price of the share options granted has been adjusted from HK$2.125 to HK$1.941 per share and the number of share options has been adjusted from 1,000,000 shares to 1,094,737 shares as a result of the rights issue.

(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.

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

(b) Share Incentive Scheme (Continued)

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.

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 1.1.2009	Awarded during the year	Adjusted as a result of the rights issue	Vested and exercised during the year	As at 31.12.2009	Fair value of incentive shares amortised in 2009 HK$
Directors							
CHENG Wai Chee, Christopher	25.4.2006	273,000	–	25,863	–	298,863	9,000
	26.7.2007	245,250	–	23,234	–	268,484	359,000
	8.7.2008	377,000	–	35,716	–	412,716	477,000
	15.6.2009	–	1,557,000	147,505	–	1,704,505	1,183,000
CHENG Wai Sun, Edward	25.4.2006	273,000	–	25,863	–	298,863	9,000
	26.7.2007	245,250	–	23,234	–	268,484	359,000
	8.7.2008	377,000	–	35,716	–	412,716	477,000
	15.6.2009	–	1,557,000	147,505	–	1,704,505	1,183,000
NG Tak Wai, Frederick	25.4.2006	29,500	–	–	(29,500)	–	1,000
	8.7.2008	41,000	–	2,913	(10,250)	33,663	52,000
	15.6.2009	–	71,000	6,728	–	77,728	54,000
AU Hing Lun, Dennis	25.4.2006	55,000	–	–	(55,000)	–	2,000
	26.7.2007	98,250	–	6,205	(32,750)	71,705	144,000
	8.7.2008	181,000	–	12,861	(45,250)	148,611	229,000
	15.6.2009	–	732,000	69,348	–	801,348	556,000
		2,195,250	3,917,000	562,691	(172,750)	6,502,191	5,094,000
Employees	25.4.2006	106,500	–	–	(106,500)	–	3,000
	29.6.2006	10,000	–	947	–	10,947	4,000
	26.7.2007	243,750	–	16,862	(65,750)	194,862	348,000
	8.7.2008	509,000	–	37,372	(114,500)	431,872	618,000
	15.6.2009	–	2,091,000	198,096	–	2,289,096	1,560,000
		869,250	2,091,000	253,277	(286,750)	2,926,777	2,533,000
		3,064,500	6,008,000	815,968	(459,500)	9,428,968	7,627,000

34. 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 2009, 6,008,000 (2008: 1,485,000) incentive shares were awarded and 459,500 (2008: 1,483,500) incentive shares were vested and exercised.

At 15 June 2009 (2008: 8 July 2008), being the date of awards, the closing price of the shares of the Company as quoted on the Stock Exchange was HK$2.30 (2008: HK$3.80) per share.

(c) Fair values of incentive shares awarded

The fair values of incentive shares awarded during the year ended 31 December 2009 are determined using the Binominal Option Pricing Model (the "Model"). Key assumptions of the Model are:

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

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

The fair values of the share options granted and incentive shares awarded during the years ended 31 December 2009 and 2008 were as follows:

	2009 HK$'M	2008 HK$'M
Share options granted to a director	–	–
Incentive shares granted to directors and employees	10.8	4.7
	10.8	4.7

35. RESERVES

(a) Movements in the reserves of the Group are disclosed in the consolidated statement of changes in equity.

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

	Share premium HK$'M	Employee share-based compensation reserve HK$'M	Contributed surplus HK$'M	Retained profits HK$'M	Total HK$'M
THE COMPANY					
At 1 January 2008	2,849.0	5.7	455.8	0.3	3,310.8
Shares issued under share incentive scheme	4.4	–	–	–	4.4
Value of employee services relating to grants of share options and incentive shares	–	5.4	–	–	5.4
Incentive shares exercised	–	(4.1)	–	–	(4.1)
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
Shares issued under share incentive scheme	1.3	–	–	–	1.3
Share premium on issue of rights shares net of issue expenses	384.5	–	–	–	384.5
Value of employee services relating to grants of share options and incentive shares	–	7.7	–	–	7.7
Incentive shares exercised	–	(1.3)	–	–	(1.3)
2008 final dividend paid	–	–	(14.8)	–	(14.8)
2009 interim dividend paid	–	–	(14.8)	–	(14.8)
Profit for the year	–	–	–	58.6	58.6
At 31 December 2009	3,239.2	13.4	327.4	145.7	3,725.7

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

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

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

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

36. OPERATING LEASES

THE GROUP AS LESSEE

	2009 HK$'M	2008 HK$'M
Minimum lease payments charged to income statement during the year:		
– land and buildings	42.8	47.4
– equipment and motor vehicles	0.4	0.4
	43.2	47.8

Under the leases entered into by the Group, the lease payments are fixed and predetermined. At 31 December 2009, the future minimum lease payments under non-cancellable operating leases are payable by the Group as follows:

	2009 HK$'M	2008 HK$'M
For buildings		
– Within one year	20.3	23.9
– After one year and not later than five years	45.9	47.1
– Over five years	14.0	5.0
	80.2	76.0
For equipment and motor vehicles		
– Within one year	0.2	0.3
– After one year and not later than five years	0.1	0.4
	0.3	0.7
Total	80.5	76.7

THE GROUP AS LESSOR

	2009 HK$'M	2008 HK$'M
Gross rental income from tenancies credited to income statement during the year	347.3	301.0
Less: Outgoings in respect of properties with tenancies investment	(51.9)	(4.4)
	295.4	296.6

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:

	2009 HK$'M	2008 HK$'M
Within one year	299.1	206.0
After one year and not later than five years	321.8	185.4
	620.9	391.4

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

37. COMMITMENTS

	THE GROUP	
	2009	2008
	HK$'M	HK$'M
Expenditure in respect of investment properties		
– contracted but not provided for in the financial statements	**127.8**	–
Expenditure in respect of properties under development held for sale		
– contracted but not provided for in the financial statements	**430.6**	445.6
– authorised but not contracted for	**3.2**	10.8
Expenditure in respect of acquisition of other properties, plant and equipment		
– contracted but not provided for in the financial statements	**0.6**	0.9
– authorised but not contracted for	**–**	0.1
Expenditure in respect of investments in an associate		
– contracted but not provided for in the financial statements	**409.3**	396.1
	971.5	853.5

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

38. CONTINGENT LIABILITIES

	The Group		The Company	
	2009	2008	**2009**	2008
	HK$'M	HK$'M	**HK$'M**	HK$'M
Guarantees given to banks in respect of credit facilities extended to				
– subsidiaries and jointly controlled entities	**–**	–	**3,830.7**	3,442.5
– an associate	**432.7**	418.7	**–**	–
	432.7	418.7	**3,830.7**	3,442.5
Other guarantees given to banks	**5.4**	1.9	**–**	–
	438.1	420.6	**3,830.7**	3,442.5

At 31 December 2009, bank loans of HK$1,651.3M (2008: HK$1,791.4M) being guaranteed by the Company have been drawn down.

39. PLEDGE OF ASSETS

At 31 December 2009, the Group's advances to associates/jointly controlled entities include amounts of HK$1,579.8M (2008: HK$1,158.6M) 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$1,579.8M (2008: HK$1,158.6M) which are assigned, and the shares in these associates/jointly controlled entities beneficially owned by the Group are pledged to the financial institutions.

39. PLEDGE OF ASSETS (Continued)

At 31 December 2009, certain of the Group's assets were pledged to secure credit facilities for the Group:

	2009 HK$'M	2008 HK$'M
Investment properties	10,420.6	10,005.3
Freehold properties	51.1	47.1
Leasehold land and land use rights	34.9	38.3
Buildings	54.6	81.7
Available-for-sale financial assets	176.5	89.8
Properties for sale	3,245.5	2,943.1
Bank deposits	38.1	80.2
	14,021.3	13,285.5

40. 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 2009 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:

	2009	2008
Discount rate	5.70%	6.50%
Expected return on plan assets	6.69%	7.48%
Expected rate of salary increases	Nil	Nil
Future pension increases in respect of service	2.50%	2.25%

The actuarial valuation updated to 31 December 2009 showed that the market value of scheme assets was approximately HK$72.0M (2008: HK$54.9M) and that the actuarial value of these assets represented 90.9% (2008: 98.9%) of the benefits that had accrued to members, equivalent to a shortfall of approximately HK$7.2M (2008: HK$0.7M).

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

	2009 HK$'M	2008 HK$'M
Interest cost	3.8	4.6
Expected return on plan assets	(4.4)	(5.2)
Credit for the year	(0.6)	(0.6)

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

The actual return on plan assets was approximately HK$12.9M in 2009 (2008: deficit of HK$12.2M).

40. 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:

	2009 HK$'M	2008 HK$'M
Fair value of scheme assets	72.0	54.9
Present value of funded obligations	(79.2)	(55.5)
	(7.2)	(0.6)
Unrecognised actuarial losses	14.3	6.3
Recognised defined benefit asset, included in other receivable	7.1	5.7

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

	2009 HK$'M	2008 HK$'M
At 1 January	5.7	6.8
Exchange differences	0.6	(2.1)
Credited to income statement	0.6	0.6
Contributions	0.2	0.4
At 31 December	7.1	5.7

41. SIGNIFICANT RELATED PARTY TRANSACTIONS

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	
	2009 HK$'M	2008 HK$'M
Dividend income from a subsidiary of a substantial shareholder of the Company	–	28.7
Interest income from loans to associates	10.9	10.5
Key management compensation (Note)	(28.6)	(26.4)
Project management fee income from associates	1.9	2.9
Project management fee income from a substantial shareholder of the Company	4.2	5.1
Property rental income from a substantial shareholder of the Company	2.8	1.9
Property rental income from associates	1.8	1.9
Purchases of garment products from a subsidiary of a substantial shareholder of the Company	(40.6)	(43.5)

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

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

42. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2009 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	100%	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
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
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%	Provision of hospitality management services
Lanson Place Hospitality Management (Malaysia) Limited	British Virgin Islands	US$1	100%	Investment holding and provision of hospitality management services
Lanson Place Hospitality Management (Singapore) Pte Limited	Singapore	S$100	100%	Provision of hospitality management services
Lanson Place Hotels & Residences (Bermuda) Limited	Bermuda	US$12,000	100%	Licensing
Lanson Place Hotels & Residences (Holdings) Limited	British Virgin Islands	US$1	100%	Investment holding

42. PRINCIPAL SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2009 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
Pangold Development Limited	Hong Kong	HK$100	95.9%	Property development
Savile Row Logistics Limited	United Kingdom	£100	100%	Provision of management services to group companies
Seriford International Limited	British Virgin Islands	US$1	100%	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
Shui Pang Garment & Knitting Factory Limited	Hong Kong	HK$2,000,000	100%	Investment holding and garment manufacturing
Success First Development Limited	Hong Kong	HK$2	100%	Property investment
Teamdoor Investments Limited	Hong Kong	HK$2	100%	Provides transportation services to its fellow subsidiaries
Telwin Industrial Limited	Hong Kong	HK$2	100%	Garment manufacturing
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
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
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	100%	Garment manufacturing
乳源冠麗製衣有限公司*	People's Republic of China	HK$20,000,000	100%	Property investment

42. PRINCIPAL SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2009 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
乳源寶麗製衣有限公司*	People's Republic of China	HK$15,000,000	100%	Property investment
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
富聯物業管理（北京）有限公司*	People's Republic of China	US$12,300,000	100%	Property investment
逸蘭公寓管理（上海）有限公司*	People's Republic of China	US$140,000	100%	Provision of hospitality management services
Winsor Properties Holdings Ltd.	Cayman Islands/ Hong Kong	HK$2,596,853	79.3%	Investment holding
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
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
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

42. PRINCIPAL SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2009 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
Unimix Properties Limited	Hong Kong	HK$200	79.3%	Property investment
Winner Godown Ltd.	Hong Kong	HK$1,500,000	55.5%	Godown operation
Winsor Billion Management Ltd.	Hong Kong	HK$1	79.3%	Property management
Winsor Estate Agents Ltd.	Hong Kong	HK$20	79.3%	Property agent
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
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 established in the People's Republic of China

Only USI Holdings (B.V.I.) Limited and 62.7% interest in Winsor Properties Holdings Limited are directly held by the Company. The shares of Winsor Properties Holdings Limited are listed on The Stock Exchange of Hong Kong Limited.

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.

43. PRINCIPAL JOINTLY CONTROLLED ENTITIES

Details of the principal jointly controlled entities at 31 December 2009 are as follows:

Name of jointly controlled entity	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	People's Republic of China	20%	Property development
Shenyang Yarun Property Development Company Limited (formerly known as Shenyang Hui Land 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 that the Group's percentage of voting power of Lancaster Partnership Limited is 50%.

43. 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:

	2009 HK$'M	2008 HK$'M
Assets:		
Non-current assets	398.3	1,389.5
Current assets	2,669.5	2,106.7
Liabilities:		
Current liabilities	(524.1)	(209.2)
Non-current liabilities	(2,574.2)	(1,996.2)
Net (liabilities)/assets	(30.5)	1,290.8
Revenue	106.8	162.0
Expenses	(109.3)	(130.0)
Taxation	(6.3)	(10.6)
(Loss)/profit after taxation	(8.8)	21.4

44. PRINCIPAL ASSOCIATES

Details of the principal associates at 31 December 2009 are as follows:

Name of associate	Place of incorporation	Attributable proportion of nominal value of issued/ registered capital held by the Company indirectly	Principal activities
Mission System Consultant Limited	Hong Kong	42.5%	Computer software consultancy
Shanghai Jinlin Tiandi Serviced Apartment Management Co., Ltd.	People's Republic of China	23.4%	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

44. PRINCIPAL ASSOCIATES (Continued)

Name of associate	Place of incorporation	Attributable proportion of nominal value of issued/ registered capital held by the Company indirectly	Principal activities
Tat Yeung Trading Company Ltd.	British Virgin Islands	39.6%	Investment holding
Winquest Investment Pte. Ltd.	Singapore	23.8%	Property development
China Merchants Cold Chain Logistics (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 International Cold Chain (Shenzhen) Co., Ltd (formerly known as 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 2009

Address	Gross floor area	Lease term	Effective percentage holding	Particulars of occupancy as at 31 December 2009
Landmark East, 100 How Ming Street, Kwun Tong, Kowloon (Section A and The Remaining Portion of Kwun Tong Inland Lot No. 242)	1,335,445 sq.ft.	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)	128,658 sq.ft.	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.	Lease expired in 2047	79%	About 17% of the properties was occupied by members of the Group as workshops and ancillary offices. The remaining 83% 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.	Lease expired in 2047	79%	Let to outside parties as workshops, canteen or godowns.
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. (remaining portion)	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.	Lease expired in 2047	79%	Let to outside parties as workshops or godowns

Properties held for Investment Purposes

At 31 December 2009

Address	Gross floor area	Lease term	Effective percentage holding	Particulars of occupancy as at 31 December 2009
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.	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.	Lease expired in 2047	60%	Service apartment
33 Units of Tower 23, Central Park, No. 6 Chaoyangmenwai Avenue, Chaoyang District, Beijing 100020, PRC	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.	Lease expired in 2047	100%	Vacant
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.	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)	9,146 sq.m.	Lease expired in 2053	100%	Let to related party as factory

Address	Gross floor area	Lease term	Effective percentage holding	Particulars of occupancy as at 31 December 2009
Songtian Village, Hougongdu Town, Nationality Industrial Zone, Ruyuan County, Shaoguan City, Guangdong Province, PRC (Yue Fang Di Zheng Zi C0449084, C0449087, C0449088 and C0449089)	13,639 sq.m.	Lease expired in 2053	100%	Let to 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/ No. Ru Fu Guo Yong Zi (2005) Di 02320100060)	14,537 sq.m.	Lease expired in 2052	78%	Let to related party as factory
Macaokeng, Laowei Village, Niushan Management Zone, Fucheng District, Dongguan, Guangdong Province, PRC (Yue Fang Di Zheng Zi C4281592, C4281593, C42815954 and C4281595)	11,565 sq.m.	Lease expired in 2044	78%	Let to related party as factory
Macaokeng, Laowei Village, Niushan Management Zone, Fucheng District, Dongguan, Guangdong Province, PRC (Yue Fang Di Zheng Zi 1486418, 1486419, 1486420 and 1486421)	9,609 sq.m.	Lease expired in 2044	100%	Let to related party 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 2009

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	107,000 sq.ft.	95.9%	Superstructure	2010
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 completed	2012
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 completed	2012
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 completed	2012
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%	Construction in progress	2018
No. 67 South Dao Yi Street, Shenbei New District Shenyang, PRC	Residential	156,751 sq.m.	20%	Foundation in progress	2013

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 2009:

	Year ended 31 December				
	2009 HK$'M	2008 HK$'M	2007 HK$'M	2006 HK$'M	2005 HK$'M (Note a)
RESULTS					
Revenue	**1,207.1**	1,664.5	2,209.7	2,699.4	1,767.9
Profit before taxation	**482.8**	333.8	2,031.9	1,009.5	524.0
Taxation	**(102.9)**	(61.8)	(191.9)	(183.6)	(89.6)
Profit for the year	**379.9**	272.0	1,840.0	825.9	434.4
Attributable to:					
Equity holders of the Company	**279.0**	193.4	1,735.9	738.3	368.5
Minority interests	**100.9**	78.6	104.1	87.6	65.9
	379.9	272.0	1,840.0	825.9	434.4

	At 31 December				
	2009 HK$'M	2008 HK$'M	2007 HK$'M	2006 HK$'M	2005 HK$'M (Note a)
ASSETS AND LIABILITIES					
Total assets	**16,978.1**	15,788.0	14,835.7	4,783.6	4,768.1
Total liabilities	**(7,284.0)**	(7,107.8)	(6,342.7)	(1,855.6)	(2,784.0)
Minority interests	**(1,566.5)**	(1,461.7)	(1,393.2)	(215.2)	(127.5)
Equity attributable to the equity holders of the Company	**8,127.6**	7,218.5	7,099.8	2,712.8	1,856.6

Note:

(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.