THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Prospectus (as defined herein) or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

A copy of each of the Rights Issue Documents (as defined herein), having attached thereto the documents specified in the paragraph headed "Documents registered with the Registrar of Companies" in Appendix III to this Prospectus, have been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance, Chapter 32 of the Laws of Hong Kong and by the Registrar of Companies in Bermuda as required by the Companies Act 1981 of Bermuda (as amended). The Registrar of Companies in Hong Kong, the Registrar of Companies of Bermuda and the Securities and Futures Commission of Hong Kong take no responsibility for the contents of any of these documents.

Dealings in the Shares (as defined herein) and the Rights Shares (as defined herein) in their nil-paid form and fully-paid form may be settled through CCASS (as defined herein) operated by HKSCC (as defined herein) and you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of those settlement arrangements and how such arrangements may affect your rights and interests. **If you have sold or transferred** all or part of your Shares, you should at once hand the Rights Issue Documents to the purchaser or bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser. Subject to the granting of the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms on the Stock Exchange (as defined herein) as well as compliance with the stock admission requirements of HKSCC, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

USI HOLDINGS LIMITED
富 聯 國 際 集 團 有 限 公 司*

(incorporated in Bermuda with limited liability)

(Stock Code: 369)

RIGHTS ISSUE OF 329,813,306 RIGHTS SHARES AT HK$1.70 EACH ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) SHARES HELD ON THE RECORD DATE

Underwriter to the Rights Issue

CAZENOVE ASIA

A Standard Chartered group company

Financial adviser to the Company

CAZENOVE ASIA

A Standard Chartered group company

The latest time for acceptance of and payment for the Rights Shares is 4:00 p.m. on Monday, 14 December 2009. The procedure for acceptance and transfer of the Rights Shares is set out on pages 11 to 13 of this Prospectus.

The Underwriting Agreement (as defined herein) in respect of the Rights Issue (as defined herein) contains provisions entitling the Underwriter (as defined herein), by giving notice to the Company, to terminate the obligations of the Underwriter thereunder on the occurrence of certain events including force majeure at any time prior to 5.00 p.m. on the second Business Day (as defined herein) following the date on which the latest time for acceptance falls. These events are set out in the section headed "Termination of the Underwriting Agreement" on page 6 of this Prospectus. If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

It should also be noted that the Shares have been dealt with on an ex-rights basis from Monday, 23 November 2009 and that the Rights Shares are expected to be dealt with in their nil-paid form from Tuesday, 1 December 2009 to Wednesday, 9 December 2009 (both days inclusive). Any dealings in the Shares from now up to the date on which all conditions to which the Rights Issue is subject are required to be fulfilled (which is expected to be the second Business Day after the latest time for acceptance), or any dealings in the Rights Shares in their nil-paid form between Tuesday, 1 December 2009 and Wednesday, 9 December 2009, both days inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. Shareholders (as defined herein) and potential investors in the Company should therefore exercise caution when dealing in the Shares or the Rights Shares in their nil-paid form, and if they are in any doubt about their position, they should consult their professional advisers.

* *For identification purposes only*

Friday, 27 November 2009

CONTENTS

First day of dealings in nil-paid Rights Shares	Tuesday, 1 December 2009
Latest time for splitting nil-paid Rights Shares	4:30 p.m., Friday, 4 December 2009
Last day of dealings in nil-paid Rights Shares	Wednesday, 9 December 2009
Latest time for acceptance of, and payment for, the Rights Shares and application for excess Rights Shares	4:00 p.m. on Monday, 14 December 2009
Latest time for termination of the Underwriting Agreement	5:00 p.m. on Wednesday, 16 December 2009
Announcement of results of the Rights Issue to be published in the respective websites of the Stock Exchange and the Company	Thursday, 17 December 2009
Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares expected to be posted on or about	Friday, 18 December 2009
Certificates for the Rights Shares expected to be despatched on or about	Friday, 18 December 2009
Dealings in fully-paid Rights Shares commence	Tuesday, 22 December 2009

Note: All times specified in this Prospectus refer to Hong Kong local time. Dates or deadlines specified in this Prospectus are indicative only and may be varied by agreement between the Company and the Underwriter. Any consequential changes to the expected timetable will be published or notified to Shareholders in due course.

EFFECT OF BAD WEATHER ON THE LATEST TIME FOR ACCEPTANCE OF AND PAYMENT FOR RIGHTS SHARES

If there is a Storm Warning:

(a) in force in Hong Kong at any time before 12:00 noon and no longer in force after 12:00 noon on the Acceptance Date, the latest time for acceptance of and payment in the Rights Issue will be extended to 5:00 p.m. on the same day; or

(b) in force in Hong Kong at any time between 12:00 noon and 4:00 p.m. on the Acceptance Date, the latest time for acceptance of and payment in the Rights Issue will be postponed to 4:00 p.m. on the next following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m.

If the latest time for application and payment in the Rights Issue is postponed in accordance with the above paragraph, the dates mentioned in this section may be affected. In such event, an announcement will be made by the Company as soon as practicable.

In this Prospectus, the following expressions have the following meanings unless the context otherwise requires:

"Acceptance Date"	means Monday, 14 December 2009, being the last day for acceptance and payment of the Rights Shares, or such other date as the Company and the Underwriter may agree in writing;
"Announcement"	means the announcement of the Company dated 9 November 2009;
"associates"	shall have the meaning as ascribed to it under the Listing Rules;
"Board"	means the board of directors of the Company;
"Business Day"	means a day (other than a Saturday or Sunday or public holiday or a day on which a Storm Warning is or remains hoisted at any time between 9:00 a.m. and 4.00 p.m.) on which retail banks are open in Hong Kong;
"Cazenove Asia"	means Cazenove Asia Limited (to be renamed Standard Chartered Securities (Hong Kong) Limited on or around 14 December 2009), an entity incorporated in Hong Kong and licensed under the SFO for type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities. Cazenove Asia Limited is a Standard Chartered group company. The mark "Cazenove" and marks containing "Cazenove" are trade marks of Cazenove IP Limited and are used under limited licence. Cazenove Asia Limited and its subsidiaries and associates are now subsidiaries or associates of Standard Chartered Bank (Hong Kong) Limited, and are not affiliated with J.P. Morgan Cazenove Limited, Cazenove Inc., or their subsidiaries;
"CCASS"	means the Central Clearing and Settlement System established and operated by HKSCC;
"Company"	means USI Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Stock Exchange;
"Companies Act"	means the Companies Act 1981 of Bermuda (as amended);

"Companies Ordinance"	means the Companies Ordinance (Chapter 32 of the Laws of Hong Kong);
"Directors"	mean directors of the Company and shall, where the context so permits, include their alternate directors;
"Excluded Shareholders"	mean Overseas Shareholders in respect of whom the Directors, on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place, consider it to be necessary or expedient to exclude such Shareholders from the Rights Issue;
"Group"	means the Company and its subsidiaries;
"HK$" or "HK dollars"	means Hong Kong dollars, the lawful currency of Hong Kong;
"HKSCC"	means the Hong Kong Securities Clearing Company Limited;
"Hong Kong"	means the Hong Kong Special Administrative Region of the PRC;
"Incentive Awards"	mean awards issued under the terms of the Share Incentive Scheme which entitle the holder thereof to subscribe for new Shares;
"Last Trading Day"	means Friday, 6 November 2009, being the last trading day of the Shares on the Stock Exchange prior to the issue of the Announcement;
"Latest Practicable Date"	means Friday, 20 November 2009 being the latest practicable date prior to the printing of this Prospectus for the purpose of ascertaining certain information contained in this Prospectus;
"Listing Rules"	mean the Rules Governing the Listing of Securities on the Stock Exchange;
"Overseas Shareholders"	mean Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date and whose address(es) as shown on such register is/are outside Hong Kong;
"Posting Date"	means Friday, 27 November 2009 or such other date as may be approved by the Underwriter (such approval not to be unreasonably withheld and shall be deemed to be given if such date is no later than Friday, 4 December 2009);
"PRC"	means the People's Republic of China;

"Prospectus"	means this prospectus issued by the Company in relation to the Rights Issue;
"Qualifying Shareholder(s)"	mean Shareholder(s) whose name(s) appear on the register of members of the Company as at the close of business on the Record Date, other than the Excluded Shareholders;
"Record Date"	means Thursday, 26 November 2009 or such other date as the Company may agree with the Underwriter as the record date for determining entitlements to participate in the Rights Issue;
"Rights Issue"	means the issue of 329,813,306 Rights Shares at the Subscription Price on the basis of one (1) Rights Share for every three (3) Shares held as at the close of business on the Record Date payable in full on acceptance;
"Rights Issue Documents"	mean the Prospectus, the provisional allotment letters and the forms of application for excess Rights Shares to be issued by the Company;
"Rights Share(s)"	means new Share(s) to be allotted and issued in respect of the Rights Issue;
"SFO"	means the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Shareholders"	mean the holders of the Shares;
"Share Incentive Scheme"	means the share incentive scheme of the Company adopted by the Company on 17 June 2005;
"Share Incentiveholders"	mean holders of outstanding Incentive Awards;
"Share Option Scheme"	means the share option scheme of the Company adopted by the Company on 10 June 2003;
"Share Optionholders"	mean holders of outstanding Share Options;
"Share Options"	mean options issued under the terms of the Share Option Scheme which entitle the holder thereof to subscribe for new Shares;
"Shares"	mean ordinary shares of HK$0.50 each in the issued share capital of the Company;
"Stock Exchange"	means The Stock Exchange of Hong Kong Limited;
"Storm Warning"	means either a tropical cyclone warning signal Number 8 or above or a "black" rainstorm warning signal;

"Subscription Price"	means HK$1.70 per Rights Share;
"subsidiary"	has the meaning ascribed to it in the Listing Rules;
"Undertakings"	mean the irrevocable undertakings given by Wing Tai Holdings Limited, Wing Tai (Cheng) Holdings Limited, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward in favour of the Company and the Underwriter dated Monday, 9 November 2009 as described in the section headed "Undertakings";
"Underwriter"	means Cazenove Asia;
"Underwriting Agreement"	means the underwriting agreement entered into between the Company and the Underwriter dated 9 November 2009 in relation to the Rights Issue;
"Underwritten Rights Shares"	mean all of the Rights Shares excluding those Rights Shares subject to the Undertakings. The maximum number of Underwritten Rights Shares shall be 163,062,519;
"U.S."	means the United States of America; and
"US dollars"	means U.S. dollars, the lawful currency of U.S.

All references to times and dates in this Prospectus refer to Hong Kong times and dates. In the event of any inconsistency, the English language text of this Prospectus shall prevail over the Chinese language text.

TERMINATION OF THE UNDERWRITING AGREEMENT

If, at any time prior to 5.00 p.m. on the second Business Day following the date on which the latest time for acceptance falls:

a) there shall develop, occur, exist or come into effect:

   i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Singapore or Bermuda;

   ii) any change in local, national or international financial, political, military, industrial, economic, currency or market conditions; or

   iii) any change in the conditions of local, national or international securities markets (including the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances); or

   iv) any material change in the business or in the financial or trading position or prospects of the Group; or

   v) any act of God, war, riot, public disorder, any outbreak or escalation of hostilities, declaration of emergency, calamity, crisis, epidemic, terrorism or any event or a series of events beyond the control of the Underwriter;

   which, in the reasonable opinion of the Underwriter, has a material adverse effect on the Group or the Rights Issue or has a material adverse effect on the level of Rights Shares taken up; or

b) there comes to the notice of the Underwriter:

   i) any matter or event showing any of the warranties or any undertakings of the Company under the Underwriting Agreement to be untrue or misleading in any material respect or as having been breached in any material respect and, in each case, which will materially and adversely affect the Group; or

   ii) any change in Hong Kong taxation or exchange control which materially and adversely affects the Group,

then and in any such case the Underwriter may (but shall not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

In the event the Underwriter exercises its right to terminate the Underwriting Agreement, the obligations of the parties shall cease and be null and void and none of the parties shall, save in respect of any right or liability accrued under the Underwriting Agreement before such termination, have any right against or liability towards the others arising out of or in connection with the Underwriting Agreement.

USI HOLDINGS LIMITED
富聯國際集團有限公司*

(incorporated in Bermuda with limited liability)

(Stock Code: 369)

Executive Directors:
Mr. CHENG Wai Chee, Christopher *(Chairman)*
Mr. CHENG Wai Sun, Edward
(Deputy Chairman and Chief Executive)
Mr. CHENG Man Piu, Francis
Mr. CHOW Wai Wai, John
Mr. NG Tak Wai, Frederick
Mr. AU Hing Lun, Dennis

Non-Executive Directors:
Mr. KWOK Ping Luen, Raymond
Mr. WONG Yick Kam, Michael
(Alternate to Mr. KWOK Ping Luen, Raymond)
Mr. HONG Pak Cheung, William
Mr. LOH Soo Eng

Independent Non-executive Directors:
Mr. Simon MURRAY
Mr. FANG Hung, Kenneth
Mr. YEUNG Kit Shing, Jackson

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

27 November 2009

To the Qualifying Shareholders

Dear Sir or Madam,

RIGHTS ISSUE OF 329,813,306 RIGHTS SHARES AT HK$1.70 EACH ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY THREE (3) SHARES HELD ON THE RECORD DATE

INTRODUCTION

Reference is made to the Announcement in respect of the Rights Issue. The purpose of this Prospectus is to provide you with further details regarding the Rights Issue, including information on dealing in, transfer and acceptance of the Rights Shares, and certain financial and other information in respect of the Group.

RIGHTS ISSUE

Issue statistics

Basis of the Rights Issue	:	One (1) Rights Share for every three (3) existing Shares held as at the close of business on the Record Date
Subscription Price	:	HK$1.70 per Rights Share
Number of existing Shares in issue	:	989,439,918 Shares as at Record Date
Number of Rights Shares	:	329,813,306 Rights Shares
Underwriter	:	Cazenove Asia

The Rights Shares will be fully underwritten by the Underwriter on the terms and subject to the conditions as set out in the Underwriting Agreement, details of which are described in the section headed "Underwriting Arrangement" below.

As at the Latest Practicable Date, there were 1,000,000 outstanding Share Options which vested on or before the Record Date entitling the Share Optionholders to subscribe for 1,000,000 Shares and 936,250 outstanding Incentive Awards which vested on or before the Record Date entitling the Share Incentiveholders to subscribe for 936,250 Shares. As at the Record Date, none of the outstanding Share Options and Incentive Awards granted pursuant the Share Option Scheme and the Share Incentive Scheme which vested on or before the Record Date were exercised. Accordingly, the total number of Rights Shares to be issued pursuant to the Rights Issue will be 329,813,306 of an aggregate nominal value of HK$164,906,653.

QUALIFYING SHAREHOLDERS

To qualify for the Rights Issue, a Qualifying Shareholder must be registered as a member of the Company as at the close of business on the Record Date.

The Company will send the Rights Issue Documents to the Qualifying Shareholders on the Posting Date.

TERMS OF THE RIGHTS ISSUE

Subscription Price

HK$1.70 per Rights Share, payable in full by a Qualifying Shareholder upon acceptance of the provisional allotment of the Rights Shares under the Rights Issue or application for excess Rights Shares or when a renouncee of any provisional allotment of the Rights Shares or a transferee of nil-paid Rights Shares applies for the Rights Shares.

The Subscription Price represents:

(a) a discount of 34.6% to the closing price of HK$2.60 per Share as quoted on the Stock Exchange on the Latest Practicable Date;

(b) a discount of 37.0% to the closing price of HK$2.70 per Share as quoted on the Stock Exchange on the Last Trading Day;

(c) a discount of 34.1% to the average closing price of HK$2.58 per Share as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day;

(d) a discount of 35.4% to the average closing price of HK$2.63 per Share as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day;

(e) a discount of 29.1% to the average closing price of HK$2.40 per Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day; and

(f) a discount of 30.6% to the theoretical ex-rights price of HK$2.45 based on the closing price of HK$2.70 per Share as quoted on the Stock Exchange on the Last Trading Day.

The Subscription Price was arrived at after arm's length negotiation between the Company and the Underwriter with reference to the prevailing market price of the Shares and current market conditions.

The Directors consider the terms of the Rights Issue and the Subscription Price to be fair and reasonable and the Rights Issue to be in the best interests of the Group and Shareholders as a whole.

Basis of Provisional Allotments

One (1) Rights Share (in nil-paid form) for every three (3) existing Shares held by Qualifying Shareholders as at the close of business on the Record Date.

Status of the Rights Shares

The Rights Shares (when allotted, issued and fully paid) will rank pari passu in all respects with all existing Shares then in issue. Holders of fully-paid Rights Shares will be entitled to receive all future dividends and distributions which may be declared, made or paid after the date of allotment and issue of the Rights Shares.

Certificates for the Rights Shares

Subject to the fulfilment by the Company of the conditions of the Rights Issue as contained in the Underwriting Agreement, certificates for all fully-paid Rights Shares are expected to be posted by ordinary mail on or about Friday, 18 December 2009 to those Qualifying Shareholders who have paid for and have accepted the Rights Shares, at such Qualifying Shareholders' own risk. One share certificate will be issued for all Rights Shares alloted to an applicant. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted by ordinary mail on or about Friday, 18 December 2009 at such Shareholders' own risk.

Fractions of the Rights Shares and Rights Shares which would have been allotted to Excluded Shareholders had they been Qualifying Shareholders

The Company will not provisionally allot and issue, and will not accept applications for, any fractions of the Rights Shares. The Company may sell in the market any nil-paid Rights Shares created by adding fractions of the Rights Shares, if any, and if the Company does so it will keep the net proceeds for its own benefit. Any unsold fractions of Rights Shares will be available for excess Rights Shares applications.

In the case of Rights Shares (excluding fractional entitlements) which would have been allotted to Excluded Shareholders had they been Qualifying Shareholders, the Company shall use its reasonable endeavours to procure that all or as many as possible of such Rights Shares are sold on the Stock Exchange nil-paid at such a premium in excess of the expenses of sale as may reasonably be obtained as soon as reasonably practicable after the commencement of dealings in the nil-paid Rights Shares but before the latest time for dealings in nil paid Rights Shares. The Company will distribute to the Excluded Shareholders the net proceeds of such sale of the Rights Shares (pro-rata to their entitlement to Rights Shares had they been Qualifying Shareholders) except that a sum due to any Excluded Shareholder of less than HK$100 will not be distributed but will be retained, along with the proceeds of the sale of fractional entitlements, by the Company for its own use and benefit. In the event that such Rights Shares are not sold on the Stock Exchange, they will become part of the excess Rights Shares available for application by the Qualifying Shareholders.

Excluded Shareholders

The Rights Issue Documents have not been and will not be registered or filed under any securities or equivalent legislation of any jurisdictions other than the applicable laws in Hong Kong and Bermuda. No action has been taken to permit the Rights Issue in any territory outside Hong Kong. No person receiving a provisional allotment letter or form of application for excess Rights Shares in any territory outside Hong Kong may treat it as an offer or invitation to apply for the Rights Shares or excess Rights Shares, unless in a territory where such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. It is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/ herself/itself, before acquiring any rights to subscribe for the provisionally allotted Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents and to pay any taxes and duties required to be paid in such territory in connection therewith. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

Based on the register of members of the Company as at the Latest Practicable Date, the Company had a total of 9 Shareholders with registered addresses outside Hong Kong in the following jurisdictions: Macau, New Zealand, Singapore, Spain, Taiwan, Thailand and the U.S. The Directors have, in compliance with Rule 13.36(2)(a) of the Listing Rules, made enquiries regarding the legal restrictions under the laws of such jurisdictions outside Hong Kong and the requirements of the relevant regulatory bodies or stock exchanges.

The Company has been advised by its legal advisers in the jurisdictions of Macau, New Zealand, Singapore, Spain, Taiwan and Thailand that there are no onerous restrictions on extending the Rights Issue to the Shareholders in such jurisdictions. Accordingly, the Directors have determined that it is expedient for the Rights Issue to be extended and offered to such Overseas Shareholders in Macau, New Zealand, Singapore, Spain, Taiwan and Thailand.

However, based on the advice received by the Company from its U.S. legal advisers, the Directors have determined that it is not expedient to make available the Rights Issue to or to despatch the Rights Issue Documents to Overseas Shareholders in the U.S. Accordingly, no provisional allotment of Rights Shares will be made to these Overseas Shareholders, who will be considered as Excluded Shareholders.

Arrangements for Rights Shares which would otherwise have been provisionally allotted to Excluded Shareholders is described in the section headed "**Fractions of the Rights Shares and Rights Shares which would have been allotted to Excluded Shareholders had they been Qualifying Shareholders**".

Procedures for acceptance and payment or transfer

A provisional allotment letter is enclosed with this Prospectus which entitles the Qualifying Shareholder to whom it is addressed to subscribe for the number of Rights Shares shown therein. If a Qualifying Shareholder wishes to accept all Rights Shares provisionally allotted to him/her/it as specified in the provisional allotment letter, he/she/it must lodge the provisional allotment letter in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, with the Registrar, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by no later than 4:00 p.m. on Monday, 14 December 2009 or such later time and/or date as may be agreed between the Company and the Underwriter. **All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "USI Holdings Limited — Provisional Allotment Account" and crossed "Account Payee Only".**

It should be noted that unless the provisional allotment letter, together with the appropriate remittance, has been lodged with the Registrar by 4:00 p.m. on Monday, 14 December 2009, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If a Qualifying Shareholder wishes to accept only part of his/her/its provisional allotment or transfer a part of his/her/its rights to subscribe for the Rights Shares provisionally allotted to him/her/it under the provisional allotment letter or to transfer all or part of his/her/its rights to more than one person, the original provisional allotment letter must be surrendered and lodged for cancellation by no later than 4:30 p.m. on Friday, 4 December 2009 with the Registrar, who will cancel the original provisional allotment letter and issue new provisional allotment letters in the denominations required which will be available for collection from the Registrar at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong after 9:00 a.m. on the second Business Day after the surrender of the original provisional allotment letter.

All cheques or cashier orders for the Rights Shares will be presented for payment immediately upon receipt and all interest earned on such monies will be retained for the benefit of the Company. Any provisional allotment letter in respect of which the cheque or cashier order is dishonoured on first presentation is liable to be rejected, and in that event the provisional allotment and all rights thereunder will be deemed to have been declined and will be cancelled.

If the Underwriter exercise its rights to terminate the Underwriting Agreement or if any of the conditions of the Rights Issue are not fulfilled on or before the time and date as specified in the Underwriting Agreement, the monies received in respect of acceptances of the Rights Shares will be refunded to the applicants without interest by means of cheque(s) despatched by ordinary mail at the risk of such applicants on or before Friday, 18 December 2009.

Application for excess Rights Shares

A Qualifying Shareholder shall be entitled to apply for (a) any unsold Rights Shares created by adding together fractions of the Right Shares; and (b) any Rights Shares provisionally allotted but not accepted by other Qualifying Shareholders.

Application may be made by completing the form of application for excess Rights Shares and lodging the same with a separate remittance for the excess Rights Shares being applied for. The Board will allocate the excess Rights Shares at its discretion on a fair and reasonable basis on the following principles:

(1) preference will be given to applications for less than a board lot of Rights Shares where they appear to the Directors that such applications are made to round up odd-lot holdings to whole-lot holdings and that such applications are not made with the intention to abuse this mechanism; and

(2) subject to availability of excess Rights Shares after allocation under principle (1) above, any further remaining excess Rights Shares will be allocated to applicants in proportion to the excess Rights Shares applied for by them.

The Qualifying Shareholders whose Shares are held by a nominee company should note that for the purposes of the principles above, the Board will regard the nominee company as a single Shareholder according to the register of members of the Company. Accordingly, the Qualifying Shareholders whose Shares are registered in the name of the nominee companies should note that the aforesaid arrangement in relation to the allocation of the excess Rights Shares will not be extended to beneficial owners individually.

If a Qualifying Shareholder wishes to apply for any Rights Shares in addition to his provisional allotment, he must complete and sign an excess application form and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, with the Registrar, Tricor Standard Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong by 4:00 p.m. on Monday, 14 December 2009, or such later time and/or date as may be agreed between the Company and the Underwriter. **All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier orders must be issued by, a licensed bank in Hong Kong and made payable to "USI Holdings Limited — Excess Application Account" and crossed "Account Payee Only".**

If the Underwriter exercise its rights to terminate the Underwriting Agreement or if any of the conditions of the Rights Issue are not fulfilled on or before the time and date as specified in the Underwriting Agreement, the monies received in respect of applications for excess Rights Shares will be refunded to the applicants without interest by means of cheque(s) despatched by ordinary mail at the risk of such applicants on or before Friday, 18 December 2009.

Application for Listing

The Company has applied to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Rights Shares in both nil-paid and fully-paid forms. No part of the share capital or any debt securities of the Company is listed or dealt in on any other stock exchange, nor is listing or permission to deal being or is proposed to be sought on any other stock exchange.

Subject to the granting of listing of, and permission to deal in, the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in both their nil-paid and fully-paid forms on the Stock Exchange or such other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Nil-paid Rights Shares are expected to be traded in board lots of 2,000 (as the Shares are currently traded on the Stock Exchange in board lots of 2,000). Dealing in the Rights Shares (in both nil-paid and fully-paid forms) will be subject to the payment of stamp duty, Stock Exchange trading fee, transaction levy and any other applicable fees and charges in Hong Kong.

Conditions of the Rights Issue

The Rights Issue is conditional upon, amongst other things, the following:

(a) all necessary approvals, permits, waivers, consents and authorisations having been obtained for the Rights Issue, the provisional allotment and allotment of the Rights Shares;

(b) the Stock Exchange granting or agreeing to grant (subject to allotment) listing of, and permission to deal, in all the Rights Shares, in their nil-paid and fully paid forms, either unconditionally or subject to conditions (the "Listing Approval") which are satisfied by not later than the latest time for acceptance;

(c) the Stock Exchange not having withdrawn or revoked the Listing Approval on the second Business Day following the latest time for acceptance;

(d) the delivery on or before the Posting Date of one copy of each of the Rights Issue Documents to the Underwriter and the Stock Exchange signed by or on behalf of all of the Directors;

(e) the filing and registration on or prior to the Posting Date of one signed copy of each of the Rights Issue Documents (and all other documents required to be attached) with the Registrar of Companies in Hong Kong, insofar as such is required to comply with the Companies Ordinance;

(f) the filing on or prior to the Posting Date of one signed copy of each of the Rights Issue Documents (and all other documents required to be attached thereto) with the Registrar of Companies in Bermuda, insofar as such is required to comply with the Companies Act;

(g) if required, the Bermuda Monetary Authority granting its consent to the issue of the Rights Shares on or prior to the Posting Date;

(h) the posting of the Rights Issue Documents to the Qualified Shareholders on or before the Posting Date (or such later date as the Underwriter may agree with the Company); and

(i) the Underwriting Agreement having become unconditional and not having been terminated.

In the event that any of the above conditions has not been fulfilled on or before 4:00 p.m. on the second Business Day after the latest time for acceptance, the Underwriting Agreement shall terminate and the obligations of the Company and the Underwriter shall cease and be null and void upon such termination and neither the Company nor the Underwriter shall, save in respect of certain provisions of the Underwriting Agreement and any right or liability accrued under the Underwriting Agreement before such termination, have any right against or liability towards the other arising out of or in connection with the Underwriting Agreement.

Pursuant to Rule 7.19(6)(a) of the Listing Rules, since the Rights Issue would increase the issued share capital of the Company by no more than 50%, the Rights Issue is not conditional on approval by the Shareholders.

THE UNDERTAKINGS

As at the Latest Practicable Date, Wing Tai Holdings Limited, Wing Tai (Cheng) Holdings Limited, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward were beneficially interested in a total of 501,290,609 Shares ("Existing Shares"), being approximately 50.66 % of the Company's current issued share capital.

Wing Tai Holdings Limited, Wing Tai (Cheng) Holdings Limited, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward have irrevocably undertaken to the Company and the Underwriter, among other things, to and to procure that its associates shall:

(a) subscribe for all of the Rights Shares to be provisionally allotted to them and their associates in respect of the Existing Shares pursuant to the terms of the Rights Issue, procure that the acceptances in respect of the aforesaid Rights Shares shall be lodged with the Registrars or the Company, and make payment to the Company in accordance with the terms of the Rights Issue by 4:00 p.m. on the second Business Day preceding the Acceptance Date;

(b) remain beneficially interested in all of the shares referred to in (a) above as at the close of business on the Record Date;

(c) if any additional Rights Shares are provisionally allotted to them pursuant to the terms of the Rights Issue, in respect of any further shares acquired by them on or before the close of business on the Record Date, to subscribe for those additional Rights Shares by 4:00 p.m. on the Acceptance Date;

(d) procure that (so far as applicable) companies controlled by them do not, dispose of or transfer or create any rights in respect of any shares of the Company, or any interests therein from the date hereof up to and including two business days after the Acceptance Date; and

(e) notwithstanding whether the terms of the Prospectus will confer rights of withdrawal on accepting shareholders, shall not withdraw any application for or acceptance of the Rights Issue in respect of the Rights Shares and shall procure that no rights to withdraw any application or acceptance in respect of such Rights Shares are exercised.

In the event that Wing Tai Holdings Limited, Wing Tai (Cheng) Holdings Limited, Mr. Cheng Wai Chee, Christopher or Mr. Cheng Wai Sun, Edward should fail to comply with the undertakings given above, the defaulting party has irrevocably authorised the Company in its discretion to treat the Undertaking as its/his acceptance of such of the Rights Shares provisionally allotted to it/him on the terms of the Prospectus (save as regards the time for acceptance and payment), to allot and issue the same in its/his name and to procure the registration of the same in its/his name.

UNDERWRITING AGREEMENT

Date	:	Monday, 9 November 2009
Underwriter	:	Cazenove Asia Limited
Number of Underwritten Rights Shares	:	means all of the Rights Shares excluding those Rights Shares subject to the Undertakings. The maximum number of Underwritten Rights Shares shall be 163,062,519.
Commission	:	3 per cent on the aggregate value at the Subscription Price of the maximum number of Underwritten Rights Shares.

Termination of the Underwriting Agreement

If, at any time prior to 5.00 p.m. on the second Business Day following the date on which the latest time for acceptance falls:

(a) there shall develop, occur, exist or come into effect:

(i) any new law or regulation or any change in existing laws or regulations or any change in the interpretation or application thereof by any court or other competent authority in Hong Kong, Singapore or Bermuda;

(ii) any change in local, national or international financial, political, military, industrial, economic, currency or market conditions; or

(iii) any change in the conditions of local, national or international securities markets (including the imposition of any moratorium, suspension or material restriction on trading in securities generally on the Stock Exchange due to exceptional financial circumstances); or

(iv) any material change in the business or in the financial or trading position or prospects of the Group; or

(v) any act of God, war, riot, public disorder, any outbreak or escalation of hostilities, declaration of emergency, calamity, crisis, epidemic, terrorism or any event or a series of events beyond the control of the Underwriter;

which, in the reasonable opinion of the Underwriter, has a material adverse effect on the Group or the Rights Issue or has a material adverse effect on the level of Rights Shares taken up; or

(b) there comes to the notice of the Underwriter:

(i) any matter or event showing any of the warranties or any undertakings of the Company under the Underwriting Agreement to be untrue or misleading in any material respect or as having been breached in any material respect and, in each case, which will materially and adversely affect the Group; or

(ii) any change in Hong Kong taxation or exchange control which materially and adversely affects the Group,

then and in any such case the Underwriter may (but shall not be bound to), upon giving notice to the Company, terminate the Underwriting Agreement with immediate effect.

In the event the Underwriter exercises its right to terminate the Underwriting Agreement, the obligations of the parties shall cease and be null and void and none of the parties shall, save in respect of any right or liability accrued under the Underwriting Agreement before such termination, have any right against or liability towards the others arising out of or in connection with the Underwriting Agreement.

CHANGES IN THE SHAREHOLDING STRUCTURE OF THE COMPANY ARISING FROM THE RIGHTS ISSUE

Set out below are the shareholding structures of the Company under various scenarios before and immediately upon completion of the Rights Issue:

Name of Shareholder	Existing shareholding		After completion of the Rights Issue (assuming all Rights Shares are taken up by the Qualifying Shareholders)		After completion of the Rights Issue (assuming no Rights Shares are taken up by Qualifying Shareholders other than Wing Tai Holdings Limited, Wing Tai (Cheng) Holdings Limited, Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward and their associates)	
	Shares	*%* *(Note 1)*	*Shares*	*%*	*Shares*	*%*
Wing Tai Holdings Limited	346,866,024	35.06 *(Note 2)*	462,488,032	35.06	462,488,032	35.06
Wing Tai (Cheng) Holdings Limited	148,439,086	15.00 *(Note 3)*	197,918,781	15.00	197,918,781	15.00
Sun Hung Kai Properties Limited	136,956,400	13.84 *(Note 4)*	182,608,533	13.84	136,956,400	10.38
Cheng Wai Chee, Christopher	3,030,749	0.31 *(Note 5)*	4,040,998	0.31	4,040,998	0.31
Cheng Wai Sun, Edward	2,954,750	0.30 *(Note 6)*	3,939,666	0.30	3,939,666	0.30
Directors of USI Group	9,622,670	0.97	12,830,226	0.97	9,622,670	0.73
Underwriter	0	0	0	0	162,716,438	12.33
Public	341,570,239	34.52	455,426,988	34.52	341,570,239	25.89
Total	989,439,918	100	1,319,253,224	100	1,319,253,224	100

Notes:

(1) The total number of issued Shares as at the Latest Practicable Date was 989,439,918.

(2) By virtue of the corporate interest of Wing Tai Holdings Limited ("Wing Tai Holdings") in Brave Dragon Limited ("Brave Dragon"), Crossbrook Group Limited ("Crossbrook") and Wing Tai Retail Pte. Ltd. ("Wing Tai Retail"), Wing Tai Holdings is deemed to be interested in the Shares in which Brave Dragon, Crossbrook and Wing Tai Retail are interested.

(3) By virtue of the corporate interest of Wing Tai (Cheng) Holdings Limited ("Wing Tai (Cheng)") in Broxbourne Assets Limited ("Broxbourne"), Bestime Resources Limited ("Bestime") and Pofung Investments Limited ("Pofung"), Wing Tai (Cheng) is deemed to be interested in the Shares which Broxbourne, Bestime and Pofung are interested.

(4) By virtue of the corporate interest of Sun Hung Kai Properties Limited ("SHK "Properties") in Soundworld Limited ("Soundworld"), Unit Key Limited ("Unit Key"), Triple Surge Limited ("Triple Surge"), Charmview International Limited ("Charmview"), Techglory Ltd. ("Techglory") , Erax Strong Development Ltd. ("Erax Strong") and Wesmore Limited ("Wesmore"), SHK Properties is deemed to be interested in the Shares in which Soundworld, Unit Key, Triple Surge, Charmview, Techglory, Erax Strong and Wesmore are interested.

(5) Mr. Cheng Wai Chee, Christopher's personal interest in the Shares.

(6) Mr. Cheng Wai Sun, Edward's personal interest in the Shares.

WARNING OF THE RISKS OF DEALING IN THE SHARES AND THE NIL-PAID RIGHTS SHARES

The Shares have been dealt with on an ex-rights basis from Monday, 23 November 2009. The Rights Shares will be dealt with in their nil-paid form from Tuesday, 1 December 2009 to Wednesday, 9 December 2009 (both days inclusive). If prior to 5:00 p.m. on second Business Day following the Acceptance Date, the Underwriter terminates the Underwriting Agreement (see sub-section headed "Termination of the Underwriting Agreement" above) or the conditions of the Rights Issue (see sub-section headed "Conditions of the Rights Issue" above) cannot be fulfilled, the Rights Issue will not proceed. Any dealings in the Shares from now up to the date on which all the conditions of the Rights Issue are fulfilled, and any dealings in the Rights Shares in their nil-paid form between Tuesday, 1 December 2009 and Wednesday, 9 December 2009, both days inclusive, are accordingly subject to the risk that the Rights Issue may not become unconditional or may not proceed. If the Rights Issue fails to proceed, the application monies received will be refunded to applicants without interest by means of cheque(s) to be dispatched by ordinary mail at the risk of such applicants on or about Friday, 18 December 2009. Shareholders and potential investors should therefore exercise caution when dealing in the Shares or Rights Shares in their nil-paid form, and if they are in any doubt about their position, they are recommended to consult their professional adviser(s).

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The gross proceeds of the Rights Issue will be HK$560,682,620. The estimated net proceeds of the Rights Issue of approximately HK$549 million, equivalent to the net price of approximately HK$1.67 per Rights Share, will expand the equity base of the Company and reduce its gearing ratio and will be applied by the Group towards funding future acquisitions and investments and providing additional working capital for the Company and its subsidiaries.

ADJUSTMENT TO SHARE OPTIONS AND INCENTIVE AWARDS

In accordance with the terms of the Share Option Scheme and the Share Incentive Scheme, the Rights Issue may lead to adjustments to the number of Shares to be issued on the exercise of the Share Options and the Incentive Awards and/or the exercise price payable by each Share Optionholder and Share Incentiveholder in respect of each Share to be issued on the exercise of the Share Options and Incentive Awards. Share Optionholders and Share Incentiveholders will be notified separately of such adjustments.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
For and on behalf of the Board
USI Holdings Limited
CHENG Wai Chee, Christopher
Chairman

SUMMARY OF FINANCIAL INFORMATION FOR EACH OF THE THREE YEARS ENDED 31 DECEMBER 2006, 2007 AND 2008

Set out below is a summary of the consolidated results of the Group for each of the three years ended 31 December 2006, 2007 and 2008, and the consolidated balance sheets as at 31 December 2006, 2007 and 2008 as extracted from the published annual reports of the Company.

CONSOLIDATED INCOME STATEMENT

	For the year ended 31 December		
	2006	**2007**	**2008**
	HK$'M	*HK$'M*	*HK$'M*
Revenue	2,699.4	2,209.7	1,664.5
Cost of sales	(1,573.1)	(1,292.5)	(1,038.1)
Gross profit	1,126.3	917.2	626.4
Other (losses)/gains, net	33.2	53.9	(14.2)
Selling and distribution costs	(154.6)	(183.3)	(161.4)
Administrative expenses	(325.2)	(372.4)	(362.1)
Change in fair value of investment properties	336.3	458.0	541.5
Impairment of strategic investments	—	—	(235.4)
Excess of the Group's share of fair value of net assets of subsidiaries acquired over the cost of acquisition	—	1,168.6	—
Profit from operations	1,016.0	2,042.0	394.8
Finance charges	(41.7)	(44.3)	(82.6)
Finance income	9.4	31.7	34.6
Share of results of associates	25.8	2.5	(13.0)
Profit before taxation	1,009.5	2,031.9	333.8
Taxation	(183.6)	(191.9)	(61.8)
Profit for the year	825.9	1,840.0	272.0
Attributable to:			
Equity holders of the Company	738.3	1,735.9	193.4
Minority interests	87.6	104.1	78.6
	825.9	1,840.0	272.0
Dividends	60.5	113.6	49.4
Earnings per share for profit attributable to equity holders of the Company (expressed in HK dollars per share)			
- Basic	HK$1.40	HK$2.32	HK$0.20
- Diluted	HK$1.40	HK$2.31	HK$0.20

CONSOLIDATED BALANCE SHEET

	At 31 December		
	2006	**2007**	**2008**
	HK$'M	*HK$'M*	*HK$'M*
ASSETS AND LIABILITIES			
Non-current assets			
Leasehold land and land use rights	776.3	5,772.4	41.8
Investment properties	1,563.1	3,463.0	10,098.1
Properties under development	128.7	1,175.5	—
Other properties, plant and equipment	301.0	294.0	181.5
Interests in associates	163.9	652.1	609.6
Strategic investments	639.8	526.7	301.2
Deferred tax assets	16.2	6.1	9.7
Loans and receivables	86.2	417.3	273.3
Held-to-maturity investments	—	—	25.4
	3,675.2	12,307.1	11,540.6
Current assets			
Inventories	122.4	147.2	87.5
Properties for sale	302.7	62.3	3,115.9
Loan receivable	—	20.8	23.4
Trade and other receivables, deposits and prepayments	192.2	329.3	435.5
Financial assets at fair value through profit or loss	—	14.9	—
Strategic investments	—	—	2.9
Derivative financial instruments	0.2	0.6	0.6
Sales proceeds held in stakeholders' accounts	65.8	98.5	—
Amounts due from associates	18.6	25.9	0.5
Tax recoverable	2.9	1.7	4.7
Pledged bank deposits	—	21.0	80.2
Bank balances and cash	403.6	1,806.4	496.2
	1,108.4	2,528.6	4,247.4

	At 31 December		
	2006	**2007**	**2008**
	HK$'M	*HK$'M*	*HK$'M*
Current liabilities			
Trade and other payables and accruals	329.2	694.9	741.6
Derivative financial instruments	—	10.0	40.4
Amounts due to associates	4.9	10.1	19.5
Tax payable	123.4	302.9	59.9
Short-term bank borrowings and overdrafts	15.1	13.7	0.6
Bank loans due within one year	48.7	902.7	489.0
	521.3	1,934.3	1,351.0
Net current assets	587.1	594.3	2,896.4
Total assets less current liabilities	4,262.3	12,901.4	14,437.0
Non-current liabilities			
Bank loans due after one year	1,000.0	3,208.0	4,432.9
Derivative financial instruments	—	31.8	105.8
Other long-term loans	187.4	43.6	42.3
Deferred tax liabilities	146.9	1,125.0	1,175.8
	1,334.3	4,408.4	5,756.8
NET ASSETS	2,928.0	8,493.0	8,680.2
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	263.3	493.7	494.5
Reserves	2,449.5	6,606.1	6,724.0
	2,712.8	7,099.8	7,218.5
Minority interests	215.2	1,393.2	1,461.7
TOTAL EQUITY	2,928.0	8,493.0	8,680.2

AUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

Set out below are the audited consolidated financial statements of the Group for the financial year ended 31 December 2008 together with the relevant notes thereto as extracted from the published annual report of the Company for the year ended 31 December 2008.

Consolidated Income Statement
For the year ended 31 December 2008

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

Consolidated Balance Sheet
At 31 December 2008

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

	Note	2008 HK$'M	2007 HK$'M
Net current assets		2,896.4	594.3
Total assets less current liabilities		14,437.0	12,901.4
Non-current liabilities			
Bank loans due after one year	31	4,432.9	3,208.0
Derivative financial instruments	27	105.8	31.8
Other long-term loans	32	42.3	43.6
Deferred tax liabilities	33	1,175.8	1,125.0
		5,756.8	4,408.4
NET ASSETS		8,680.2	8,493.0
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital	34	494.5	493.7
Reserves	36(a)	6,724.0	6,606.1
		7,218.5	7,099.8
Minority interests		1,461.7	1,393.2
TOTAL EQUITY		8,680.2	8,493.0

Balance Sheet

At 31 December 2008

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Capital and reserves attributable to equity holders of the Company											
	Share capital	Share premium	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	Other property revaluation reserve	Translation reserve	Contributed surplus	Retained profits	Total	Minority interests	Total equity
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
At 1 January 2007	263.3	441.9	0.1	300.9	3.1	12.1	4.9	554.3	1,132.2	2,712.8	215.2	2,928.0
Exchange differences arising on translation of financial statements of operations outside Hong Kong	—	—	—	—	—	—	9.1	—	—	9.1	—	9.1
Fair value gains on strategic investments	—	—	—	92.1	—	—	—	—	—	92.1	(4.1)	88.0
Decrease in hedging reserve	—	—	(27.5)	—	—	—	—	—	—	(27.5)	—	(27.5)
Share of post-acquisition reserves on interests previously held as strategic investments *(Note 37)*	—	—	—	—	—	—	—	—	425.0	425.0	—	425.0
Share of reserves of associates	—	—	—	—	—	—	5.2	—	—	5.2	—	5.2
Net income recognised directly in equity	—	—	(27.5)	92.1	—	—	14.3	—	425.0	503.9	(4.1)	499.8
Profit for the year	—	—	—	—	—	—	—	—	1,735.9	1,735.9	104.1	1,840.0
Total recognised income for the year	—	—	(27.5)	92.1	—	—	14.3	—	2,160.9	2,239.8	100.0	2,339.8
Acquisition of subsidiaries	230.0	2,405.1	—	(409.3)	—	—	—	—	—	2,225.8	1,185.1	3,410.9
Effect of partial disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	(19.6)	(19.6)
Value of employee services relating to grants of share options and incentive shares	—	—	—	—	4.2	—	—	—	—	4.2	—	4.2
Incentive shares exercised	—	—	—	—	(1.6)	—	—	—	—	(1.6)	—	(1.6)
Shares issued under share incentive scheme	0.4	2.0	—	—	—	—	—	—	—	2.4	—	2.4
Dividends paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	(87.5)	(87.5)
2006 final dividend paid	—	—	—	—	—	—	—	(34.2)	—	(34.2)	—	(34.2)
2007 interim dividend paid	—	—	—	—	—	—	—	(49.4)	—	(49.4)	—	(49.4)
At 31 December 2007	493.7	2,849.0	(27.4)	(16.3)	5.7	12.1	19.2	470.7	3,293.1	7,099.8	1,393.2	8,493.0

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

Consolidated Cash Flow Statement

For the year ended 31 December 2008

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

	Note	2008 HK$'M	2007 HK$'M
Net cash generated from operations		102.4	654.9
Interest income received		34.6	48.2
Interest paid on bank and other borrowings		(153.4)	(126.8)
Hong Kong profits tax paid		(272.5)	(3.2)
Tax paid in other jurisdictions		(1.5)	(0.9)
Net cash (used in)/generated from operating activities		(290.4)	572.2
Cash flows from investing activities			
Purchase of leasehold land and land use rights		(396.4)	(1,938.3)
Purchase of investment properties		(1.9)	(6.0)
Additions of properties under development		(1,209.6)	(347.9)
Purchase of other properties, plant and equipment		(18.2)	(32.2)
Deposits paid for acquisition of investment properties, companies and land		—	(244.4)
Loans to joint venture partners		(56.4)	(107.6)
Net repayments of amounts due from associates		30.3	76.5
Proceeds from disposal of investment properties		1.3	—
Proceeds from disposal of other properties, plant and equipment		3.7	2.0
Net proceeds from disposal of strategic investments		26.8	0.6
Proceeds from realisation of derivative financial instruments		3.5	—
Net cash inflow on acquisition of subsidiaries	37	—	637.1
Net cash inflow on acquisition of jointly controlled entities		67.5	—
Net cash inflow/(outflow) from disposal of subsidiaries		14.1	(9.3)
Dividend income from associates		54.6	—
Dividend income from strategic investments		15.4	—
Acquisition of held-to-maturity investments		(24.4)	—
Prepayments for land grant		(123.8)	—
Net repayment from strategic investments		1.3	—
Amounts repaid by investee companies		—	57.0
Net cash used in investing activities		(1,612.2)	(1,912.5)

	Note	2008 *HK$'M*	2007 *HK$'M*
Cash flows from financing activities			
Issue of shares		—	2.4
Bank and other loans raised		2,388.3	5,681.2
Repayments of bank and other loans		(1,606.7)	(2,748.6)
Decrease in short term borrowings		(5.9)	(6.2)
Dividends paid by the Company		(98.8)	(83.6)
Dividends paid to minority shareholders		(20.3)	(87.5)
Placement of pledged deposits		(59.2)	(21.0)
Net cash generated from financing activities		597.4	2,736.7
Effect of foreign exchange rate changes		2.2	1.6
(Decrease)/increase in cash and cash equivalents		(1,303.0)	1,398.0
Cash and cash equivalents at the beginning of the year		1,798.6	400.6
Cash and cash equivalents at the end of the year	28	495.6	1,798.6

Notes to the Consolidated Financial Statements
For the year ended 31 December 2008

1. GENERAL INFORMATION

USI Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda.

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

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

These consolidated financial statements are presented in millions of Hong Kong dollars (HK$'M), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 17 April 2009.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of investment properties, available-for-sale financial assets ("strategic investments"), financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

(i) ***Amendment and interpretations effective in 2008 relevant to the Group***

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

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

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

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods, and have not been early adopted by the Group:

		Effective from
HKAS 1 (Revised)	Presentation of financial statements	1 January 2009
HKAS 23 (Revised)	Borrowing costs	1 January 2009
HKAS 27 (Revised)	Consolidated and separate financial statements	1 July 2009
HKAS 32 (Amendment) &	Financial instruments: presentation	1 January 2009
HKAS 1 (Amendment)	Presentation of financial statements — puttable financial instruments and obligations arising on liquidation	
HKAS 39 (Amendment)	Financial instruments: recognition and measurement on eligible hedged items	1 July 2009
HKFRS 1 (Amendment) &	First time adoption of HKFRS	1 January 2009
HKAS 27 (Amendment)	Consolidated and separate financial statements on cost of an investment in a subsidiary, jointly controlled entity or associate	
HKFRS 2 (Amendment)	Share-based payment on vesting conditions and cancellations	1 January 2009
HKFRS 3 (Revised)	Business combination	1 July 2009
HKFRS 8	Operating segments	1 January 2009
HK(IFRIC) — Int 13	Customer loyalty programmes	1 July 2008
HK(IFRIC) — Int 15	Agreements for the construction of real estate	1 January 2009
HK(IFRIC) — Int 16	Hedges of a net investment in foreign operation	1 October 2008
HK(IFRIC) — Int 17	Distribution of non-cash assets to owners	1 July 2009
HK(IFRIC) — Int 18	Transfers of assets from customers	1 July 2009

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

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

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

(b) **Consolidation**

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

(i) ***Subsidiaries***

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

(ii) ***Transactions and minority interests***

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

(iii) ***Jointly controlled entities***

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

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

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

(iv) ***Associates***

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

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

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

(c) **Segment reporting**

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

(d) **Foreign currency translation**

(i) ***Functional and presentation currency***

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

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

(ii) ***Transactions and balances***

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

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

(iii) ***Group companies***

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

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at rates prevailing on the dates of the transactions); and

— all resulting exchange differences are recognised as a separate component of equity.

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

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

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

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

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

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

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

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

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

Gains or losses arising on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement.

(f) **Leasehold land and land use rights**

Leasehold interests in land and land use rights for own use are classified as "leasehold land and land use rights" and amortised over the period of the lease on a straight-line basis. Prepaid land lease for properties held for sale is included in "properties for sale".

(g) **Investment properties**

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

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

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

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

Changes in fair values are recognised in the income statement.

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

(h) **Properties under development and properties for sale**

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

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

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

(j) **Financial assets**

Classification

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

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

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

(ii) Loans and receivables

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

(iii) Held-to-maturity investments

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

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

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

Recognition and measurement

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

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

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

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

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

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

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

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

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

(1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 27. Movements on the hedging reserve in shareholders' equity are shown the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedge item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as current assets or liabilities.

(i) Fair value hedge

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

(ii) Cash flow hedge

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

Amounts accumulated in equity are recycled in the income statement in the periods when the hedged item affects profit or loss (for example, when the forecast sale that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets), the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. The deferred amounts are ultimately recognised in cost of goods sold in the case of inventory, or in depreciation in the case of fixed assets.

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

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

(l) **Inventories**

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

(m) **Trade and other receivables**

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

(n) **Cash and cash equivalents**

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

(o) **Share capital**

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

(p) **Trade payables**

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

(q) **Borrowings**

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

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

(r) **Borrowing costs**

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

(s) **Current and deferred taxation**

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

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

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

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

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

(t) **Retirement benefits cost**

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

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

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

(u) **Share-based payment**

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

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

(v) **Provisions**

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

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

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

(w) **Revenue recognition**

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

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

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

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

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

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

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

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

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

(y) **Leases by lessor**

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

(z) **Dividend distribution**

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

3. FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

(i) *Foreign exchange risk*

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to Renminbi and Singapore dollars. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

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

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

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

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

(ii) *Interest rate risk*

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

The Group is exposed to changes in interest rates due to its bank borrowings which are disclosed in Notes 30 and 31 below. The Group manages its interest rate exposure based on interest rate level and outlook as well as potential impact on the Group's financial position arising from volatility. Interest rate swap contract is the hedging instrument most commonly used by the Group to manage the interest rate exposure.

If interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK$10.2 M (2007: HK$8.4 M) lower/higher and capitalised interest on "properties for sale" would have been HK$7.8 M (2007: HK$6.2 M, capitalised under "properties under development") higher/ lower, mainly as a result of higher/lower interest expenses on floating rate borrowings.

If interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, the post-tax profit for the year would have been HK$13.4 M (2007: HK$11.3 M) higher/lower, mainly a result of gain/loss relating to the portion of changes in the fair value of interest rate swap contracts not qualify for hedge accounting; and equity would have been HK$12.5M (2007: HK$14.5 M) higher/lower mainly as a result of an increase or decrease in the fair value of the effective portion of the cash flow hedges of borrowings as described above.

(iii) ***Price risk***

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

At 31 December 2008, if market value of the Group's available-for-sale financial assets had increased/decreased by 10%, with all other variables held constant, equity would have been HK$12.0 M (2007: HK$29.7 M) higher/lower.

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

(iv) ***Credit risk***

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

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

(v) ***Liquidity risk***

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

Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facility and cash and cash equivalents on the basis of expected cash flows. The Group's liquidity management policy involves projecting cashflows in major currencies necessary to meet these, monitoring balance sheet liquidity ratios against internal and external regulatory requirements, and maintaining debt financing plans.

The table below analyses the Group's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*
At 31 December 2008				
Bank borrowings	557.9	925.7	3,490.5	228.6
Derivative financial instruments	40.4	26.0	64.8	15.0
Trade and other payables and accruals	743.5	—	3.3	—
Amounts due to associates	19.5	—	—	—
Other long-term loans	—	—	—	42.3
Total	1,361.3	951.7	3,558.6	285.9
At 31 December 2007				
Bank borrowings	986.9	643.9	2,192.6	645.9
Derivative financial instruments	41.2	—	—	—
Trade and other payables and accruals	567.8	55.0	—	—
Amount due to an associate	10.1	—	—	—
Other long-term loans	—	8.3	—	35.3
Total	1,606.0	707.2	2,192.6	681.2

(b) **Capital risk management**

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

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

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

The gearing ratios at 31 December 2008 and 2007 were as follows:

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

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

(c) **Fair value estimation**

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

(a) **Critical accounting estimates and assumptions**

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

(i) ***Estimated fair value of investment properties***

Savills Valuation and Professional Services Limited ("Savills"), Jones Lang LaSalle Limited ("Jones Lang LaSalle") and B.I. Appraisals Limited ("B.I. Appraisals") were engaged to carry out independent valuations of the Group's investment property portfolio as at 31 December 2008. These valuations were carried out in accordance with the Valuation Standards on Properties of the Hong Kong Institute of Surveyors which defines market value as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and seller in an arm's length transaction after proper marketing wherein the parties each acted knowledgeably, prudently and without compulsion".

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

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

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

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

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

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

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

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

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

(iii) ***Impairment of trade receivables***

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

(iv) ***Estimated impairment of non-current assets***

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

(v) ***Income tax***

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

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

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

5. REVENUE

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

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

6. SEGMENT INFORMATION

(a) Primary reporting format — business segment

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

Principal activities are as follows:

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

	Property development *HK$'M*	Property investment and management *HK$'M*	Hospitality investment and management *HK$'M*	Garment manufacturing and trading *HK$'M*	Branded products distribution *HK$'M*	Investing activities *HK$'M*	Elimination *HK$'M*	Consolidated *HK$'M*
For the year ended 31 December 2008								
REVENUE								
External sales	162.4	225.2	109.2	883.3	240.3	44.1	—	1,664.5
Inter-segment sales	—	13.3	—	—	—	—	(13.3)	—
Total	162.4	238.5	109.2	883.3	240.3	44.1	(13.3)	1,664.5
RESULTS								
Segment results before change in fair value of investment properties and impairment of strategic investments	62.4	140.7	53.8	(23.0)	(15.8)	14.7	—	232.8
Change in fair value of investment properties	—	531.6	9.9	—	—	—	—	541.5
Impairment of strategic investments	—	—	—	—	—	(235.4)	—	(235.4)
Segment results	62.4	672.3	63.7	(23.0)	(15.8)	(220.7)	—	538.9
Fair value loss on derivative financial instruments								(55.8)
Unallocated corporate expenses								(88.3)
Profit from operations								394.8
Finance charges								(82.6)
Finance income								34.6
Share of results of associates	5.6	—	(9.2)	—	—	(9.4)	—	(13.0)
Profit before taxation								333.8
Taxation								(61.8)
Profit for the year								272.0

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Garment manufacturing and trading HK$'M	Branded products distribution HK$'M	Investing activities HK$'M	Elimination HK$'M	Consolidated HK$'M
Other segment items included in the income statement are as follows:								
Depreciation and amortisation	—	5.8	0.1	10.3	6.8	2.4	—	25.4
(Reversal of)/provision for impairment of other properties, plant and equipment	—	—	—	(0.4)	2.6	—	—	2.2
Reversal of impairment of leasehold land and land use rights	—	—	—	(0.2)	—	—	—	(0.2)
Loss on disposal of other properties, plant and equipment	—	0.2	—	4.1	—	—	—	4.3
Provision for/(write back of) trade receivables, net	15.2	(0.2)	—	2.0	0.4	—	—	17.4
For the year ended 31 December 2007								
REVENUE								
External sales	769.2	137.3	97.1	919.3	270.3	16.5	—	2,209.7
Inter-segment sales	—	4.0	5.5	—	—	—	(9.5)	—
Total	769.2	141.3	102.6	919.3	270.3	16.5	(9.5)	2,209.7

	Property development	Property investment and management	Hospitality investment and management	Garment manufacturing and trading	Branded products distribution	Investing activities	Elimination	Consolidated
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
RESULTS								
Segment results before change in fair value of investment properties	499.8	95.3	57.1	(151.7)	0.6	(18.4)	—	482.7
Change in fair value of investment properties	—	319.0	139.0	—	—	—	—	458.0
Segment results	499.8	414.3	196.1	(151.7)	0.6	(18.4)	—	940.7
Discount on acquisition								1,168.6
Unallocated corporate expenses								(67.3)
Profit from operations								2,042.0
Finance charges								(44.3)
Finance income								31.7
Share of results of associates	7.1	—	4.4	—	—	(9.0)	—	2.5
Profit before taxation								2,031.9
Taxation								(191.9)
Profit for the year								1,840.0
Other segment items included in the income statement are as follows:								
Depreciation and amortisation	22.9	3.9	0.1	22.8	7.3	2.1	—	59.1
Loss on disposal of other properties, plant and equipment	—	—	—	0.3	—	—	—	0.3
(Write back of)/ provision for trade receivables	(27.7)	—	—	3.8	—	—	—	(23.9)

	Property development	Property investment and management	Hospitality investment and management	Garment manufacturing and trading	Branded products distribution	Investing activities	Elimination	Consolidated
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
Provision for impairment of leasehold land and land use rights	—	—	—	0.9	—	—	—	0.9
Provision for impairment of other properties, plant and equipment	—	—	—	30.6	—	—	—	30.6

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

	Property development	Property investment and management	Hospitality investment and management	Garment manufacturing and trading	Branded products distribution	Investing activities	Consolidated
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
The segment assets and liabilities at 31 December 2008 and capital expenditure for the year then ended are as follows:							
ASSETS							
Segment assets	3,675.2	9,070.3	1,491.2	384.0	138.5	323.1	15,082.3
Interests in associates	520.8	50.2	37.7	—	—	0.9	609.6
Unallocated assets							96.1
Consolidated total assets							15,788.0
LIABILITIES							
Segment liabilities	240.2	285.4	20.1	118.2	56.0	17.3	737.2
Unallocated liabilities							6,370.6
Consolidated total liabilities							7,107.8
Capital expenditure	440.5	1,187.0	206.9	8.3	5.0	3.4	1,851.1

	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Garment manufacturing and trading HK$'M	Branded products distribution HK$'M	Investing activities HK$'M	Consolidated HK$'M
The segment assets and liabilities at 31 December 2007 and capital expenditure for the year then ended are as follows:							
ASSETS							
Segment assets	3,083.6	7,194.9	1,434.5	377.7	178.5	545.0	12,814.2
Interests in associates	634.7	—	38.2	—	—	(20.8)	652.1
Unallocated assets							1,369.4
Consolidated total assets							14,835.7
LIABILITIES							
Segment liabilities	85.7	318.1	35.5	175.0	60.1	20.4	694.8
Unallocated liabilities							5,647.9
Consolidated total liabilities							6,342.7
Capital expenditure	2,013.7	5,519.0	5.0	24.3	3.0	2.3	7,567.3

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

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

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

(b) **Secondary reporting format — geographical segment**

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

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

	Revenue Year ended 31 December	
	2008	**2007**
	HK$'M	*HK$'M*
North America	600.8	611.6
Hong Kong	471.8	1,015.7
United Kingdom	274.4	315.2
Others	317.5	267.2
	1,664.5	2,209.7

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

	Total assets At 31 December		Capital expenditure Year ended 31 December	
	2008	**2007**	**2008**	**2007**
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*
Hong Kong	13,597.7	11,462.6	1,632.7	7,544.2
The PRC	1,036.4	637.4	213.3	13.7
United Kingdom	150.8	212.9	5.0	3.0
North America	41.5	50.6	—	—
Singapore	219.2	403.1	—	—
Others	36.7	47.6	0.1	6.4
	15,082.3	12,814.2	1,851.1	7,567.3
Interests in associates	609.6	652.1	—	—
Unallocated assets	96.1	1,369.4	—	—
	15,788.0	14,835.7	1,851.1	7,567.3

7. OTHER (LOSSES)/GAINS, NET

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

8. PROFIT FROM OPERATIONS

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

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

9. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' remuneration

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

Note:

Details of the remuneration of directors for the year ended 31 December 2008 are as follows:

Name	Directors' fees	Salaries and allowances	Discretionary bonus	Retirement benefit costs-defined contribution plan	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors					
CHENG Wai Chee, Christopher	1,825	2,269	—	113	4,207
CHENG Wai Sun, Edward	65	5,893	1,650	272	7,880
CHENG Man Piu, Francis	25	—	—	—	25
CHOW Wai Wai, John	65	2,465	986	249	3,765
NG Tak Wai, Frederick	25	1,480	75	12	1,592
AU Hing Lun, Dennis	65	3,000	775	141	3,981
Non-executive directors					
KWOK Ping Luen, Raymond	50	—	—	—	50
WONG Yick Kam, Michael	50	—	—	—	50
HONG Pak Cheung, William	50	—	—	—	50
LOH Soo Eng	50	—	—	—	50
Independent non-executive directors					
Simon MURRAY	195	—	—	—	195
FANG Hung, Kenneth	195	—	—	—	195
YEUNG Kit Shing, Jackson	195	—	—	—	195
Total	2,855	15,107	3,486	787	22,235

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

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

Share options and incentive shares have also been granted and awarded to certain directors. The fair values of these share options and incentive shares recognised in the consolidated income statement for the year are set out in Note 35.

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office (2007: Nil). None of the directors has waived any emoluments during the year (2007: Nil).

(b) **Five highest paid individuals**

The aggregate emoluments of the five highest paid individuals of the Group in 2008 included four (2007: three) executive directors of the Company whose emoluments are included above. The emoluments of the remaining one (2007: two) highest paid individual are as follows:

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

The emoluments fell within the following bands:

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

10. NET FINANCE CHARGES

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

Notes:

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

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

11. TAXATION

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

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

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

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

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

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

In 2007, China enterprise income tax was provided on the profits of the Group's subsidiaries, associates and jointly controlled entities in China in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises (the "Old China Tax Law"). The principal income tax rate ranges from 18% to 33%.

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

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

12. DIVIDENDS

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

The final dividend is not accounted for until it has been approved at the forthcoming annual general meeting of the Company. The amount will be accounted for as an appropriation of the reserves for the year ending 31 December 2009.

13. EARNINGS PER SHARE

(a) Basic

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

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

(b) Diluted

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

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

14. LEASEHOLD LAND AND LAND USE RIGHTS

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

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

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

15. INVESTMENT PROPERTIES

	THE GROUP	
	2008	**2007**
	HK$'M	*HK$'M*
At 1 January	3,463.0	1,563.1
Exchange adjustments	4.1	—
Cost adjustment	(7.3)	—
Fair value gain	554.1	458.0
Acquisition of subsidiaries *(Note 37)*	—	1,430.3
Additions	1.9	6.0
Disposals	(1.1)	—
Transfer from other properties, plant and equipment *(Note 17)*	61.6	5.6
Transfer from leasehold land and land use rights *(Note 14)*	3,562.7	—
Transfer from properties under development *(Note 16)*	2,459.1	—
At 31 December	10,098.1	3,463.0

Investment properties comprise:

Properties in Hong Kong held on:		
Leases of over 50 years	930.0	—
Leases of between 10 to 50 years	8,864.4	3,463.0
Properties outside Hong Kong held on:		
Leases of over 50 years	233.4	—
Leases of between 10 to 50 years	70.3	—
	10,098.1	3,463.0

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

16. PROPERTIES UNDER DEVELOPMENT

	THE GROUP	
	2008	**2007**
	HK$'M	*HK$'M*
At 1 January	1,175.5	128.7
Acquisition of subsidiaries *(Note 37)*	—	370.7
Additions	1,390.6	676.1
Transfer to investment properties *(Note 15)*	(2,459.1)	—
Transfer to properties under development held for sale	(107.0)	—
At 31 December	—	1,175.5

Properties under development comprise:

Properties in Hong Kong held on:		
Leases of over 50 years	—	384.4
Leases of between 10 to 50 years	—	791.1
	—	1,175.5

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

17. OTHER PROPERTIES, PLANT AND EQUIPMENT

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

	Freehold properties *HK$'M* *(Note a)*	Leasehold buildings *HK$'M* *(Note b)*	Furniture, fixtures and equipment *HK$'M*	Motor vehicles *HK$'M*	Plant and machinery *HK$'M*	Total *HK$'M*
THE GROUP						
COST						
At 1 January 2007	66.9	205.8	198.7	9.5	92.2	573.1
Exchange differences	1.3	2.4	3.3	0.1	1.2	8.3
Acquisition of subsidiaries *(Note 37)*	—	25.0	1.0	1.3	4.0	31.3
Additions	—	1.1	17.9	3.3	9.9	32.2
Transfer to investment properties *(Note 15)*	—	(4.8)	(10.4)	—	(8.6)	(23.8)
Disposals	—	(0.8)	(15.3)	(1.5)	(1.9)	(19.5)
At 31 December 2007	68.2	228.7	195.2	12.7	96.8	601.6
Comprising:						
At cost	68.2	171.8	195.2	12.7	96.8	544.7
At 1994 valuation *(Note c)*	—	56.9	—	—	—	56.9
	68.2	228.7	195.2	12.7	96.8	601.6
ACCUMULATED DEPRECIATION AND IMPAIRMENT						
At 1 January 2007	—	45.8	149.2	5.6	71.5	272.1
Exchange differences	—	1.2	2.7	0.1	1.0	5.0
Impairment	—	7.0	7.3	—	16.3	30.6
Provided for the year	5.8	7.9	15.6	2.0	4.0	35.3
Transfer to investment properties *(Note 15)*	—	(2.2)	(7.6)	—	(8.4)	(18.2)
Disposals	—	(0.8)	(13.5)	(1.3)	(1.6)	(17.2)
At 31 December 2007	5.8	58.9	153.7	6.4	82.8	307.6
NET BOOK VALUE						
At 31 December 2007	62.4	169.8	41.5	6.3	14.0	294.0

Notes:

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

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

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

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

18. INVESTMENTS IN SUBSIDIARIES

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

Note:

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

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

Details of the principal subsidiaries at 31 December 2008 are set out in Note 44.

19. ASSOCIATES

(a) Interests in associates

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

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

Notes:

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

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

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

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

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

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

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

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

20. STRATEGIC INVESTMENTS

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

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

Notes:

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

Singapore dollars	120.6	291.0
UK pound	1.1	3.1
Renminbi	—	2.6
	121.7	296.7

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

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

21. LOANS AND RECEIVABLES

	THE GROUP	
	2008	**2007**
	HK$'M	*HK$'M*
Deposit for acquisition of investment properties *(Note a)*	—	181.0
Trademark *(Note b)*	0.3	0.3
Deposit for acquisition of investee companies *(Note c)*	—	105.2
Deposit for acquisition of leasehold land *(Note d)*	—	44.0
Loans to joint venture partners *(Note e)*	163.9	107.6
Prepayments for land grant *(Note f)*	132.5	—
	296.7	438.1
Analysed as:		
Current	23.4	20.8
Non-current	273.3	417.3
	296.7	438.1

Notes:

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

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

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

(d) In 2007, one of the jointly controlled entities of the Group entered into an agreement for acquisition of leasehold land in Hong Kong for redevelopment. The acquisition was completed in 2008.

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

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

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

22. HELD-TO-MATURITY INVESTMENTS

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

23. INVENTORIES

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

24. PROPERTIES FOR SALE

	THE GROUP	
	2008	**2007**
	HK$'M	*HK$'M*
Properties under development held for sale		
Leasehold land and land use rights	2,644.0	—
Development costs	423.7	—
	3,067.7	—
Completed properties		
Leasehold land and land use rights	5.9	8.7
Development costs	33.6	28.9
Freehold land and buildings	8.7	24.7
	48.2	62.3
	3,115.9	62.3

Properties for sale comprise:

Net book value of leasehold land and land use rights of leases of		
— over 50 years in Hong Kong	1,108.2	—
— between 10 to 50 years in Hong Kong	1,478.5	8.7
— between 10 to 50 years outside Hong Kong	63.2	—
Freehold land and buildings outside Hong Kong	8.7	24.7
	2,658.6	33.4

25. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

As of 31 December 2008, trade receivables of HK$97.9 M (2007: HK$141.9 M) were past due but not impaired. These trade receivables relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

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

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

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

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

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

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

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

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

Other receivables and deposits do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. At 31 December 2008, the Group held collaterals as security against certain trade receivables amounting to HK$94.6 M (2007: HK$78.6 M).

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	THE GROUP	
	2008	2007
	HK$'M	*HK$'M*
Equity linked notes	—	12.4
A real estate investment trust listed in Hong Kong	—	2.3
Equity securities listed in Hong Kong	—	0.2
	—	14.9

The equity linked notes in 2007 are denominated in US dollars. The real estate investment trust and listed equity securities were denominated in HK dollars.

27. DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

28. CASH AND CASH EQUIVALENTS

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

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

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

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

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

29. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

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

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

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

30. SHORT-TERM BANK BORROWINGS AND OVERDRAFTS

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

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

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

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

31. BANK LOANS

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

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

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

The bank loans are denominated in the following currencies:

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

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

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

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

32. OTHER LONG-TERM LOANS

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

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

The loans are denominated in the following currencies:

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

The carrying amounts of the loans approximate their fair values.

33. DEFERRED TAXATION

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

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

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

	Tax depreciation	Revaluation of properties	Tax losses	Total
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*
At 1 January 2007	35.7	111.2	(16.2)	130.7
Acquisition of subsidiaries *(Note 37)*	33.3	865.2	(10.2)	888.3
Charged/(credited) to income statement for the year *(Note 11)*	5.1	97.9	(3.1)	99.9
At 31 December 2007	74.1	1,074.3	(29.5)	1,118.9
Exchange adjustments	—	1.7	(0.1)	1.6
Acquisition of jointly controlled entities	—	14.1	(1.4)	12.7
Charged/(credited) to income statement for the year *(Note 11)*	7.0	88.7	(2.0)	93.7
Effect on tax rate change *(Note 11)*	(4.2)	(58.3)	1.7	(60.8)
At 31 December 2008	76.9	1,120.5	(31.3)	1,166.1

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

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

34. SHARE CAPITAL

	Number of shares	Amount
		HK$'M
Ordinary shares of HK$0.50 each		
Authorised:		
At 1 January 2007, 31 December 2007 and 31 December 2008	2,000,000,000	1,000.0
Issued and fully paid:		
At 1 January 2007	526,671,589	263.3
Issue of shares on exercise of incentive shares (Note 35(b))	789,750	0.4
Issue of shares for acquisition of subsidiaries	460,035,579	230.0
At 31 December 2007	987,496,918	493.7
Issue of shares on exercise of incentive shares (Note 35(b))	1,483,500	0.8
At 31 December 2008	988,980,418	494.5

35. SHARE OPTION SCHEME AND SHARE INCENTIVE SCHEME

(a) Share Option Scheme

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

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

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

The share options granted are exercisable during the period from 19 April 2006 to 18 April 2010 and subject to a vesting scale in tranches of 25% per annum starting from the first anniversary of the date of grant. No options were granted or exercised during the year.

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

(b) **Share Incentive Scheme**

Under a Share Incentive Scheme approved by shareholders of the Company on 17 June 2005 ("Share Incentive Scheme"), the Board of Directors of the Company or a duly authorised committee thereof may in its absolute discretion make offer of awards to selected employees (including executive directors) of the Group ("Eligible Employees") to subscribe in cash at par for shares of the Company. The maximum number of shares of the Company which may be issued in response to the awards and any other incentive and option schemes of the Company (excluding lapsed awards and options) shall not in aggregate exceed 52,625,533 representing 10% of the issued share capital of the Company as at 17 June 2005.

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

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

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

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

The incentive shares awarded are subject to a vesting scale of 25%, 25% and 50% starting respectively from the first anniversary, the second anniversary and the third anniversary of the provisional date of award. All the incentive shares awarded shall be valid for ten years until the day before the tenth anniversary of the provisional date of award. During the year ended 31 December 2008, 1,485,000 (2007: 1,140,000) incentive shares were awarded and 1,483,500 (2007: 789,750) incentive shares were vested and exercised.

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

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

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

Risk-free rate	3.6%
Expected dividend yield	1.6%
Expected volatility of the market price of the Company's shares	47.9%
Expected life	10 years from the date of grant

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

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

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

36. RESERVES

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

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

	Share premium	Employee share based compensation reserve	Contributed surplus	(Accumulated losses)/ retained profits	Total
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
THE COMPANY					
At 1 January 2007	441.9	3.1	539.4	(123.4)	861.0
Shares issued under share incentive scheme	2.0	—	—	—	2.0
Share issued on acquisition of Subsidiaries	2,405.1	—	—	—	2,405.1
Employee share-based compensation reserve	—	2.6	—	—	2.6
2006 final dividend paid	—	—	(34.2)	—	(34.2)
2007 interim dividend paid	—	—	(49.4)	—	(49.4)
Profit for the year	—	—	—	123.7	123.7
At 31 December 2007	2,849.0	5.7	455.8	0.3	3,310.8
Shares issued under share incentive scheme	4.4	—	—	—	4.4
Employee share-based compensation reserve	—	1.3	—	—	1.3
2007 final dividend paid	—	—	(64.2)	—	(64.2)
2008 interim dividend paid	—	—	(34.6)	—	(34.6)
Profit for the year	—	—	—	86.8	86.8
At 31 December 2008	2,853.4	7.0	357.0	87.1	3,304.5

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

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

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

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

37. BUSINESS COMBINATION

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

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

	Fair value	**Winsor Properties' carrying amount**
	HK$'M	*HK$'M*
Leasehold land and land use rights	3,082.4	—
Investment properties	1,430.3	4,847.3
Properties under development	370.7	—
Other properties, plant and equipment	31.3	31.3
Interests in associates	555.1	448.3
Strategic investments/available-for-sale financial assets	490.4	490.4
Deferred tax assets	1.9	1.9
Trade and other receivables, deposits and prepayments	38.0	18.6
Financial assets at fair value through profit or loss	42.4	42.4
Derivative financial instruments	28.3	28.3
Sales proceeds held in stakeholders' accounts	5.1	—
Amounts due from group companies	148.6	—
Cash and cash equivalents	660.2	604.9
Trade and other payables and accruals	(88.3)	(78.5)
Bank loans	(100.4)	(100.4)
Tax payable	(92.8)	(58.4)
Other long-term loans	(35.3)	(35.3)

	Fair value *HK$'M*	Winsor Properties' carrying amount *HK$'M*
Deferred tax liabilities	(890.2)	(645.4)
Minority interests	(9.8)	(15.5)
	5,667.9	5,579.9
Minority interests	(1,175.3)	
Share of post-acquisition reserves attributable to the 16.56% interests previously held as strategic investments credited to retained profits	(425.0)	
Net assets acquired	4,067.6	
Purchase consideration for the additional 62.70%interests satisfied by:		
Issue of shares of the Company	2,635.1	
Transaction costs of the acquisition	23.1	
	2,658.2	
Purchase consideration for the original 16.56% interests	240.8	
	2,899.0	
Discount on acquisition	1,168.6	
Purchase consideration settled in cash	(23.1)	
Cash and cash equivalents in subsidiaries acquired	660.2	
Net cash inflow arising from acquisition	637.1	

38. OPERATING LEASES

THE GROUP AS LESSEE

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

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

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

THE GROUP AS LESSOR

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

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

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

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

39. COMMITMENTS

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

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

40. CONTINGENT LIABILITIES

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

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

41. PLEDGE OF ASSETS

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

At 31 December 2008, certain of the Group's assets were pledged to secure credit facilities for the Group:

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

42. RETIREMENT BENEFITS AND PENSION SCHEMES

The Group operates a defined benefit pension scheme for certain qualifying employees of its overseas subsidiaries. Under the scheme, the employees are entitled to a pension of 1.25% of final salary for each year of pensionable service at the normal retirement age of 65. No other post-retirement benefits are provided. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligations were carried out by Mr. Nigel P. Hacking, Fellow of the Institute of Actuaries, of Barnett Waddingham LLP and was updated to 31 December 2008 for the accounting reporting purpose. The present value of the defined obligation, the related current service cost and past service cost were measured using the projected unit credit method.

The main actuarial assumptions used were as follows:

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

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

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

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

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

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

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

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

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

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

43. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

44. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2008 are as follows:

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Aldburg Assets Limited	British Virgin Islands	US$1	100%	Investment holding
Bostar Limited	Hong Kong	HK$100	100%	Property development
Caringbah Limited	British Virgin Islands	US$1	100%	Investment holding
Charter Star Trading Limited	Hong Kong	HK$100,000	70%	Garment trading
Cheong Ka Limited	British Virgin Islands/People's Republic of China	US$1	78%	Property investment
Chung Fook Limited	British Virgin Islands/People's Republic of China	US$1	100%	Property investment
Datas Industries Limited	Hong Kong	HK$2	100%	Garment manufacturing and trading

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
東莞冠麗時裝有限公司*	People's Republic of China	HK$3,860,000	100%	Property holding and garment manufacturing
東莞創麗製衣有限公司*	People's Republic of China	HK$5,600,000	70%	Garment manufacturing
Fore Prosper Limited	Hong Kong	HK$100	60%	Property investment
Gentful Limited	Hong Kong	HK$2	100%	Provides financing to group companies
Gieves & Hawkes International Limited	United Kingdom	£250,000	100%	Licensors
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

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
Grandslam Limited	British Virgin Islands	US$1	100%	Investment holding
Joy Alliance Limited	Hong Kong	HK$100	100%	Property development
Keytime Capital Limited	British Virgin Islands	US$1	100%	Investment holding
Lanson Place Hospitality Management Limited	Hong Kong	HK$2	100%	Hospitality and property management
Lanson Place Hospitality Management (Jakarta) Limited	British Virgin Islands	US$1	100%	Hospitality and property management
Lanson Place Hospitality Management (Malaysia) Limited	British Virgin Islands	US$1	100%	Investment holding, hospitality and property management
Lanson Place Hospitality Management (Singapore) Pte Limited	Singapore	S$100	100%	Hospitality and property management
Lanson Place Hotels & Residences (Bermuda) Limited	Bermuda	US$12,000	100%	Investment holding and licensing

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Lanson Place Hotels & Residences (Holdings) Limited	British Virgin Islands	US$1	100%	Investment holding
Pangold Development Limited	Hong Kong	HK$100	95.9%	Property development
乳源冠麗製衣有限公司*	People's Republic of China	HK$20,000,000	100%	Garment manufacturing
乳源寶麗製衣有限公司*	People's Republic of China	HK$15,000,000	70%	Property investment
Shui Hing Textiles International Limited	Hong Kong	HK$75,000,000	100%	Investment holding
Shui Hung Knitting and Garment Factory Limited	Hong Kong	HK$20,000,000	100%	Investment holding and property investment
Shui Pang Garment & Knitting Factory Limited	Hong Kong	HK$2,000,000	70%	Investment holding and garment manufacturing
Success First Development Limited	Hong Kong	HK$2	100%	Property investment

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
Teamdoor Investments Limited	Hong Kong	HK$2	100%	Provide transportation services to its fellow subsidiaries
Telwin Industrial Limited	Hong Kong	HK$2	100%	Garment manufacturing and trading
Twin Dragon Investments Limited	British Virgin Islands	US$1	100%	Investment holding
Unimix Holdings Limited	Hong Kong	HK$1,100,000	100%	Investment holding
Unimix Limited	Hong Kong	HK$10,000,000	100%	Garment manufacturing and trading
韶關乳源環邦針織製衣有限公司*	People's Republic of China	HK$7,800,000	78%	Property investment
United Success International Limited	Hong Kong	HK$227,750,062	100%	Investment holding
Universal Team Industrial Limited	Hong Kong	HK$2	100%	Investment holding
USI Investment (China) Limited	British Virgin Islands	US$1	100%	Investment holding

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
USI Investment (China) (No. 1) Limited	British Virgin Islands	US$1	100%	Investment holding
USI Holdings (B.V.I.) Limited	British Virgin Islands	US$50,000	100%	Investment holding
USI Properties International Limited	British Virgin Islands	US$1	100%	Investment holding
USI Properties Limited	Hong Kong	HK$2	100%	Property project management services
富聯物業管理(北京)有限公司*	People's Republic of China	US$12,300,000	100%	Property investment
Winsor Properties Finance Ltd.	Hong Kong	HK$2	79.3%	Provides finance to group companies
Winsor Properties(Hong Kong) Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Adam Knitters Ltd.	Hong Kong	Ordinary shares HK$1,000 Deferred shares HK$200,000	79.3%	Property investment

Name of subsidiary	Place of incorporation/ operation	Nominal value of issued and fully paid share capital/ registered capital	Attributable proportion of nominal value of issued/ registered capital held by the Company	Principal activities
Allied Effort Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Winnion Limited	Hong Kong	HK$100	79.3%	Property investment
Baudinet Investment Ltd.	Hong Kong	Ordinary shares HK$18 Deferred shares HK$2	79.3%	Property investment
Begin Land Ltd.	Hong Kong	Ordinary shares HK$90,000 Deferred shares HK$10,000	79.3%	Property investment
Congenial Investments Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment
East Sun Estate Management Company Ltd.	Hong Kong	HK$200	79.3%	Property management
Grandeur Investments Limited	British Virgin Islands/ Hong Kong	US$1	79.3%	Property investment
Hilwin Properties Ltd.	Hong Kong	Ordinary shares HK$450,000 Deferred shares HK$50,000	79.3%	Investment holding

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
Libro Estates Ltd.	Hong Kong	Ordinary shares HK$90,000 Deferred shares HK$10,000	79.3%	Property investment
Unimix Properties Limited	Hong Kong	HK$200	79.3%	Property investment
Winner Godown Ltd.	Hong Kong	HK$1,500,000	55.5%	Godown operation
Winsor Billion Management Ltd.	Hong Kong	HK$1	79.3%	Property management
Winsor Estate Agents Ltd.	Hong Kong	HK$20	79.3%	Property agent
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

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
Zofka Properties Ltd.	Hong Kong	Ordinary shares HK$90,000 Deferred shares HK$10,000	79.3%	Property investment
Winsor Properties (Overseas) Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Zak Holdings Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Winwin Investment Pte. Ltd.	Singapore	S$2	79.3%	Property investment
Curlew International Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Winprop Pte. Ltd.	Singapore	S$2	79.3%	Investment holding
Winsor Properties(China) Ltd.	British Virgin Islands/ Hong Kong	US$1	79.3%	Investment holding
Dhandia Ltd.	Hong Kong	HK$1,000	79.3%	Investment holding
Tat Yeung Properties Investment Ltd.	British Virgin Islands/ Hong Kong	US$1,000	79.3%	Investment holding

* *Represents a wholly owned foreign enterprise*

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

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

45. PRINCIPAL JOINTLY CONTROLLED ENTITIES

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

Name of company	Place of incorporation	Attributable proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Ace Glory Limited	Hong Kong	15%	Property development
Best Joy Enterprises Limited	British Virgin Islands	40%	Investment holding
Cateavon Limited	Hong Kong	30%	Property development
Century Rise Limited	Hong Kong	15%	Property development
Jumbo Broad Limited	British Virgin Islands	40%	Investment holding
Kualiti Gold Sdn. Bhd.	Malaysia	50%	Property investment
Lancaster Partnership Limited	United Kingdom	47.5%	Property development
Landyork Investment Limited	Hong Kong	47.9%	Property trading
Mancas Investment Limited	Hong Kong	50%	Property development
Pacific Bond Limited	Hong Kong	15%	Property development

Name of company	Place of incorporation	Attributable proportion of nominal value of issued capital held by the Company indirectly	Principal activities
Raise Up Enterprises Limited	British Virgin Islands	20.2%	Investment holding
Shenyang Hui Land Gaoqi Property Development Company Limited (formerly known as Shenyang Gaoqi Property Development Company Limited)	People's Republic of China	20%	Property development
Shenyang Hui Land Yarun Property Development Company Limited (formerly known as Shenyang Yarun Property Development Company Limited)	People's Republic of China	20%	Property development
Shenyang Suigang Baiyun Property Investment and Development Company Limited	People's Republic of China	20%	Property development

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

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

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

46. PRINCIPAL ASSOCIATES

Details of the principal associates at 31 December 2008 are as follows:

Name of company	Place of incorporation	Attributable proportion of nominal value of issued/ registered capital held by the Company indirectly	Principal activities
Mission System Consultant Limited	Hong Kong	42.5%	Computer software consultancy
上海錦麟天地酒店式公寓管理有限公司	People's Republic of China	23.4%	Property investment
Smart Gainful Limited	Hong Kong	33.3%	Provision of second mortgage financing
Union Charm Development Limited *	Hong Kong	7.5%	Property development and investment
Winhome Investment Pte Ltd.	Singapore	21.5%	Property development and investment
Winner Max Enterprises Limited	Hong Kong	33.3%	Property development
Javary Ltd.	Hong Kong	26.4%	Property investment
Suzhou World Trade Centre *	People's Republic of China	19.7%	Property investment and development

Name of company	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 investment
China Merchants Cold Chain (China) Co., Ltd.	British Virgin Islands	23.8%	Investment holding
China Merchants Cold Chain Logistics (Hong Kong) Co., Ltd.	Hong Kong	23.8%	Investment holding
China Merchants Cold Chain Logistics (Shenzhen) Co., Ltd.	People's Republic of China	23.8%	Cold storage

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

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

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2009

Set out below are the unaudited financial statements of the Group together with the relevant notes thereto as extracted from the interim report of the Company for the six months ended 30 June 2009.

Condensed Consolidated Income Statement
For the six months ended 30 June 2009

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

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2009

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

Condensed Consolidated Balance Sheet
As at 30 June 2009

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

Condensed Consolidated Balance Sheet
As at 30 June 2009

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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009

	Unaudited											
	Capital and reserves attributable to equity holders of the Company											
	Share capital	Share premium	Hedging reserve	Investment revaluation reserve	Employee share-based compensation reserve	Other property revaluation reserve	Translation reserve	Contributed surplus	Retained profits	Total	Minority interests	Total equity
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
At 1 January 2008	493.7	2,849.0	(27.4)	(16.3)	5.7	12.1	19.2	470.7	3,293.1	7,099.8	1,393.2	8,493.0
Total comprehensive income for the six months ended 30 June 2008	—	—	4.2	(34.7)	—	—	17.2	—	328.7	315.4	112.4	427.8
Acquisition of jointly controlled entities	—	—	—	—	—	—	—	—	—	—	13.4	13.4
Reversal of effect of partial disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	12.0	12.0
Value of employee services relating to grants of share options and incentive shares	—	—	—	—	1.8	—	—	—	—	1.8	—	1.8
Incentive shares exercised	—	—	—	—	(2.0)	—	—	—	—	(2.0)	—	(2.0)
Shares issued under share incentive scheme	0.3	2.0	—	—	—	—	—	—	—	2.3	—	2.3
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	(11.9)	(11.9)
2007 final dividend paid	—	—	—	—	—	—	—	(64.2)	—	(64.2)	—	(64.2)
At 30 June 2008	494.0	2,851.0	(23.2)	(51.0)	5.5	12.1	36.4	406.5	3,621.8	7,353.1	1,519.1	8,872.2
Total comprehensive income for the six months ended 31 December 2008	—	—	(39.8)	51.0	—	21.8	(2.1)	—	(135.3)	(104.4)	(37.6)	(142.0)
Acquisition of jointly controlled entities	—	—	—	—	—	—	—	—	—	—	(12.0)	(12.0)
Reversal of effect of partial disposal of subsidiaries	—	—	—	—	—	—	—	—	—	—	0.6	0.6
Value of employee services relating to grants of share options and incentive shares	—	—	—	—	3.6	—	—	—	—	3.6	—	3.6
Incentive shares exercised	—	—	—	—	(2.1)	—	—	—	—	(2.1)	—	(2.1)
Shares issued under share incentive scheme	0.5	2.4	—	—	—	—	—	—	—	2.9	—	2.9
Dividend paid to minority shareholders	—	—	—	—	—	—	—	—	—	—	(8.4)	(8.4)
2008 interim dividend paid	—	—	—	—	—	—	—	(34.6)	—	(34.6)	—	(34.6)
At 31 December 2008	494.5	2,853.4	(63.0)	—	7.0	33.9	34.3	371.9	3,486.5	7,218.5	1,461.7	8,680.2

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

Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009

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

Notes to the Interim Financial Information
For the six months ended 30 June 2009

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

This Interim Financial Information for the six months ended 30 June 2009 has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Listing Rules") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). It should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2008.

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

4. REVENUE AND SEGMENT INFORMATION

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

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

For the six months ended 30 June 2009	Property development	Property investment and management	Hospitality investment and management	Garment manufacturing and trading	Branded products distribution	Investing activities	Elimination	Consolidated
	HK$'M	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*	*HK$'M*
Revenue								
External sales	5.4	135.5	43.5	122.5	101.2	8.9	—	417.0
Inter-segment sales	—	8.2	—	—	—	—	(8.2)	—
Reportable segment revenue	5.4	143.7	43.5	122.5	101.2	8.9	(8.2)	417.0
Results								
Segment results before change in fair value of investment properties	(8.2)	73.2	33.1	(22.5)	(4.4)	6.1	—	77.3
Change in fair value of investment properties	—	(7.8)	(1.1)	0.9	—	—	—	(8.0)
Reportable segment results	(8.2)	65.4	32.0	(21.6)	(4.4)	6.1	—	69.3
Fair value gain on derivative financial instruments								48.7
Unallocated corporate expenses								(40.8)
Profit from operations								77.2
Finance income								15.2
Finance costs								(41.9)
Share of results of associates	0.4	—	(1.5)	—	—	(4.1)	—	(5.2)
Profit before taxation								45.3
Taxation								(16.4)
Profit for the period								28.9

For the six months ended 30 June 2009	Property development HK$'M	Property investment and management HK$'M	Hospitality investment and management HK$'M	Garment manufacturing and trading HK$'M	Branded products distribution HK$'M	Investing activities HK$'M	Elimination HK$'M	Consolidated HK$'M
Other items								
Depreciation and amortisation	1.4	3.1	0.1	1.8	2.9	1.1	—	10.4
Write back of trade receivables	(9.8)	—	—	—	—	—	—	(9.8)
Provision for impairment of loan to an associate	—	—	—	—	—	1.6	—	1.6

For the six months ended 30 June 2008	Property development *HK$'M*	Property investment and management *HK$'M*	Hospitality investment and management *HK$'M*	Garment manufacturing and trading *HK$'M*	Branded products distribution *HK$'M*	Investing activities *HK$'M*	Elimination *HK$'M*	Consolidated *HK$'M*
Revenue								
External sales	112.3	106.0	53.6	310.0	132.6	35.4	—	749.9
Inter-segment sales	—	4.2	—	—	—	—	(4.2)	—
Reportable segment revenue	112.3	110.2	53.6	310.0	132.6	35.4	(4.2)	749.9
Results								
Segment results before change in fair value of investment properties	67.3	70.7	34.1	(40.7)	(0.2)	35.8	—	167.0
Change in fair value of investment properties	—	233.9	125.0	—	—	—	—	358.9
Reportable segment results	67.3	304.6	159.1	(40.7)	(0.2)	35.8	—	525.9
Fair value gain on derivative financial instruments								12.5
Unallocated corporate expenses								(42.2)
Profit from operations								496.2
Finance income								18.0
Finance costs								(34.2)
Share of results of associates	5.2	—	2.0	—	—	(5.4)	—	1.8
Profit before taxation								481.8
Taxation								(43.0)
Profit for the period								438.8
Other items								
Depreciation and amortisation	—	0.5	1.5	5.5	3.8	1.2	—	12.5
Provision for trade receivables	—	—	—	1.3	—	—	—	1.3
Provision for impairment losses in respect of available-for-sale financial assets	—	—	—	—	—	0.1	—	0.1

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

	Revenue by geographical market	
	Six months ended 30 June	
	2009	**2008**
	HK$'M	*HK$'M*
Hong Kong	181.0	261.5
North America	81.4	181.0
United Kingdom	96.0	151.7
Other areas	58.6	155.7
	417.0	749.9

5. PROFIT FROM OPERATIONS

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

6. TAXATION

Hong Kong profits tax has been calculated at 16.5% (2008: 16.5%) of the estimated assessable profits for the period. Taxation on overseas profits has been calculated on the estimated assessable profits for the period at the rates of taxation prevailing in the countries in which the Group operates.

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

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

7. DIVIDENDS

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

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

8. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2009	**2008**
	HK$'M	*HK$'M*
Profit attributable to equity holders of the Company for the purpose of calculating basic and diluted earnings per share	7.0	328.7
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	989,012,455	987,611,667
Effect of dilutive potential shares issuable under the Company's share option and share incentive schemes	3,072,005	3,081,976
Weighted average number of shares for the purpose of calculating diluted earnings per share	992,084,460	990,693,643

9. CAPITAL EXPENDITURE

	Leasehold land and land use rights HK$'M	Investment properties HK$'M	Properties under development HK$'M	Other properties, plant and equipment HK$'M
Opening net book value at 1 January 2009	41.8	10,098.1	—	181.5
Exchange adjustments	—	0.4	—	7.6
Loss arising from change in fair value	—	(8.0)	—	—
Additions	—	6.0	—	40.2
Disposals	—	—	—	(0.2)
Depreciation and amortisation	(0.3)	—	—	(10.0)
Closing net book value at 30 June 2009	41.5	10,096.5	—	219.1
Opening net book value at 1 January 2008	5,772.4	3,463.0	1,175.5	294.0
Exchange adjustments	10.8	1.2	—	1.1
Gain arising from change in fair value	—	371.5	—	—
Additions	440.4	0.9	1,101.4	9.4
Acquisition of jointly controlled entities	165.7	—	1.4	0.5
Disposal of a subsidiary	—	—	—	(29.8)
Transfer from leasehold land and land use rights to investment properties	(471.6)	471.6	—	—
Transfer from properties under development to investment properties	—	541.8	(541.8)	—
Transfer to properties for sale	(2,591.0)	—	(189.2)	—
Disposals	—	(1.0)	—	(0.7)
Depreciation and amortisation	(21.3)	—	—	(12.1)
Closing net book value at 30 June 2008	3,305.4	4,849.0	1,547.3	262.4

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

10. PROPERTIES FOR SALE

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

11. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

12. TRADE AND OTHER PAYABLES AND ACCRUALS

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

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

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

13. BANK LOANS

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

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

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

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

14. OTHER LONG-TERM LOANS

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

15. SHARE CAPITAL

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

16. COMMITMENTS

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

17. CONTINGENT LIABILITIES

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

18. SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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

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

REVIEW OF OPERATIONS AND PROSPECTS OF THE GROUP

BUSINESS REVIEW FOR THE SIX MONTHS ENDED 30 JUNE 2009

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

Property

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

Property Development

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

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

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

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

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

Property Investment and Management

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

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

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

Hospitality Investment and Management

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

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

Apparel

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

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

Investing Activities

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

PROSPECTS

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

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

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

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

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

STATEMENT OF INDEBTEDNESS

Borrowings

At the close of business on 31 October 2009 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus), the Group had total outstanding borrowings of approximately HK$5,165.1 million, comprising secured bank loans, unsecured bank loans, unsecured import and trust receipt loans and other unsecured long-term loans of approximately HK$4,714.9 million, HK$403.0 million, HK$4.4 million and HK$42.8 million respectively.

At the close of business on 31 October 2009, certain of the Group's investment properties, freehold properties, leasehold land and land use rights, leasehold buildings, strategic investments ("available-for-sale financial assets"), properties for sale and bank deposits with carrying values of approximately HK$9,997.6 million, HK$51.5 million, HK$38.0 million, HK$79.5 million, HK$157.2 million, HK$3,106.8 million and HK$81.0 million respectively were pledged to secured loans of HK$4,714.9 million for the Group.

Contingent liabilities

At the close of business on 31 October 2009, the Group had contingent liabilities of approximately HK$438.5 million relating to corporate guarantees given in respect of bank loan facilities extended to associates and other guarantees given to banks.

Save as aforesaid and apart from intra-group liabilities, at the close of business on 31 October 2009, the Group did not have any outstanding loan capital, bank overdrafts, loans or other similar indebtedness, mortgages, charges, guarantees or other material contingent liabilities or hire purchase of finance lease commitments, liabilities under acceptances or acceptance credits.

WORKING CAPITAL

Taking into account the financial resources available to the Group, including internally generated funds, cash and cash equivalents on hand, the available banking facilities and the estimated net proceeds of the Rights Issue, the Directors of the Company are of the opinion that the Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of this prospectus.

I. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the consolidated net tangible assets of the Group as if the Rights Issue had been completed on 30 June 2009.

The unaudited pro forma statement of adjusted consolidated net tangible assets of the Group has been prepared for illustrative purpose only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Rights Issue been completed as at 30 June 2009 or any future date.

The following unaudited pro forma statement of adjusted consolidated net tangible assets of the Group is based on the unaudited consolidated net tangible assets of the Group as at 30 June 2009 and adjusted to reflect the effect of the Rights Issue:

	Unaudited consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2009	**Estimated net proceeds from the Rights Issue**	**Unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to the equity holders of the Company**	**Unaudited pro forma adjusted consolidated net tangible assets per Share**
	HK$'000	*HK$'000*	*HK$'000*	*HK$*
	Note 1	*Note 2*		*Note 3*
Based on 329,813,306 Rights Shares at subscription price of HK$1.70 per Rights Share	7,228,200	549,183	7,777,383	5.90

Notes

1. The consolidated net tangible assets of the Group attributable to the equity holders of the Company as at 30 June 2009 is extracted from the published interim report of the Group for the six months ended 30 June 2009 set out in Appendix I to this Prospectus, which is based on the unaudited consolidated net assets of the Group attributable to the equity holders of the Company as at 30 June 2009 of HK$7,228,200,000. The unaudited consolidated net tangible assets per share as at 30 June 2009 was HK$7.31.

2. The estimated net proceeds from the Rights Issue are based on 329,813,306 Rights Shares to be issued at the subscription price of HK$1.70 per Rights Share, after deduction of the related expenses of approximately HK$11,500,000.

3. The unaudited pro forma adjusted consolidated net tangible assets per Share is calculated based on the unaudited pro forma consolidated adjusted net tangible assets attributable to the equity holders of the Company and 989,439,918 Shares in issue as at 30 June 2009 and assuming that none of the Share Options or Incentive Awards were exercised from 1 July 2009 up to the Record Date and 329,813,306 Rights Shares were issued under the Rights Issue as if the Rights Issue has been completed on 30 June 2009.

4. No adjustment has been made to reflect any trading results or other transactions of the Group entered into subsequent to 30 June 2009, including but not limited to the interim dividend of HK$14,842,000 proposed for the year ending 31 December 2009, and the issuance of 8,613,000 Shares upon the exercise of Share Options and Incentive Awards from 1 July 2009 to the Record Date.

REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE GROUP

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this Prospectus.

PRICEWATERHOUSECOOPERS

羅兵咸永道會計師事務所

PricewaterhouseCoopers
22nd Floor, Prince's Building
Central, Hong Kong

ACCOUNTANT'S REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF USI HOLDINGS LIMITED

We report on the unaudited pro forma financial information of USI Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages II-1 to II-2 under the heading of "Unaudited Pro Forma Statement of Adjusted Consolidated Net Tangible Assets of the Group" (the "Unaudited Pro Forma Financial Information") in Appendix II of the Company's prospectus dated 27 November 2009 (the "Prospectus"), in connection with the proposed rights issue of the Company. The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company, for illustrative purposes only, to provide information about how the proposed rights issue might have affected the relevant financial information of the Group. The basis of preparation of the Unaudited Pro Forma Financial Information is set out on pages II-1 to II-2 of the Prospectus.

Respective Responsibilities of Directors of the Company and the Reporting Accountant

It is the responsibility solely of the directors of the Company to prepare the Unaudited Pro Forma Financial Information in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by rule 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unaudited consolidated net assets of the Group as at 30 June 2009 with the unaudited condensed consolidated balance sheet of the Group as at 30 June 2009 as set out in the section headed "Financial Information of the Group" in the Prospectus, considering the evidence supporting the adjustments and discussing the Unaudited Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

The Unaudited Pro Forma Financial Information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of the adjusted consolidated net tangible assets of the Group as at 30 June 2009 or any future date.

Opinion

In our opinion:

a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

b) such basis is consistent with the accounting policies of the Group; and

c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to rule 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27 November 2009

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company.

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. FURTHER INFORMATION ABOUT THE COMPANY

The Company is a limited liability company incorporated in Bermuda and its shares are listed on the Stock Exchange. Its registered office is situated at Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and its head office and principal place of business is at 27th Floor, Two Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

The Company is an investment holding company. Its principal subsidiaries are engaged in property development, property investment and management, hospitality investment and management, garment manufacturing and trading, branded products distribution and other investing activities. The Group's jointly controlled entities and associates are principally engaged in property investment and property development.

Share Capital:

The authorised and issued share capital of the Company as at the Latest Practicable Date were as follows:

Authorised Share Capital:

HK$1,000,000,000 divided into 2,000,000,000 Shares

Share Capital issued as fully paid:

HK$494,719,959 divided into 989,439,918 Shares.

Note: All of the existing issued Shares rank pari passu in all respects including as to, amongst other things, dividends, voting and interests in capital.

Save as otherwise disclosed in this Prospectus, no capital of any member of the Group is under option or agreed conditionally or unconditionally to be put under option.

3. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Financial Adviser to the Company and Underwriter	Cazenove Asia Limited (a Standard Chartered group Company) (to be renamed Standard Chartered Securities (Hong Kong) Limited on or around 14 December 2009) 15/F, Two International Finance Centre 8 Finance Street Central Hong Kong
Legal advisers to the Company	On Hong Kong Law: Slaughter and May 47/F, Jardine House One Connaught Place Central Hong Kong
	On Bermuda Law: Appleby 8th Floor, Bank of America Tower 12 Harcourt Road Central Hong Kong
Auditor and Reporting Accountant	PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building Central Hong Kong
Principal bankers	The Hongkong and Shanghai Banking Corporation Limited HSBC Main Building 1 Queen's Road Central Hong Kong
	Bank of China (Hong Kong) Limited 52/F Bank of China Tower 1 Garden Road Hong Kong
	Standard Chartered Bank (Hong Kong) Limited 13/F Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong

Share registrar and transfer office	Tricor Standard Limited 26/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company secretary	Ms. Fung Ching Man, Janet
Authorized representatives	Mr. Cheng Wai Chee, Christopher 22/F., Unimix Industrial Centre 2 Ng Fong Street San Po Kong Kowloon Hong Kong Ms. Fung Ching Man, Janet Suite 3103 9 Queen's Road Central Hong Kong

4. DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

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 Ltd 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. Mr. Cheng is a director of Wing Tai Corporation Limited which is a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance. The business address of Mr. Cheng is 22/F., Unimix Industrial Centre, 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong.

Mr. CHENG Wai Sun, Edward, 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 Advisory Committee on Corruption of the Independent Commission Against Corruption and the University Grants Committee. 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. The business address of Mr. Cheng is Suite 3103, 9 Queen's Road Central, Hong Kong.

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 Securities and Futures Ordinance). He graduated from the University of Wisconsin with a Bachelor of Science degree in Industrial Engineering and a MBA degree. Mr. Cheng is the Chairman of Group 24 in the Federation of Hong Kong Industries and the Vice-Chairman of The Federation of Hong Kong Garment Manufacturers. He is a general committee member of The Chinese Manufacturers' Association of Hong Kong and Textile Council of Hong Kong and a member of the Assessment Panel for the DesignSmart Initiative.

Mr. Cheng is a brother of Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward. The business address of Mr. Cheng is 22/F., Unimix Industrial Centre, 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong.

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). He was the Deputy Managing Director of Winsor Industrial Corporation, Limited (a company delisted in Hong Kong Stock Exchange in December 2006). Mr. Chow has over 30 years of experience in the property, textile and clothing businesses, and has served as Chairman of the Hong Kong Garment Manufacturers Association and a member of the Textile Advisory Board of the Hong Kong Government. The business address of Mr. Chow is 8/F., One Landmark East, 100 How Ming Street, Kwun Tong, Kowloon, Hong Kong.

Mr. NG Tak Wai, Frederick, aged 52, was appointed executive director of the Company in 1995. He graduated from Georgetown University with a BSBA degree, and also graduated from Columbia University with a MBA degree. He has held senior management positions in various garment manufacturing and distribution companies affiliated with the Wing Tai Group. His background is in manufacturing operations and management information systems.

Mr. Ng is a director of certain subsidiaries of Wing Tai Corporation Limited, which is a substantial shareholder of the Company. The business address of Mr. Ng is 25/F., Unimix Industrial Centre, 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong.

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. He is also an executive director of Winsor. He was an alternate director to Mr. Cheng Wai Chee, Christopher and Mr. Cheng Wai Sun, Edward of Winsor until his appointment as an executive director of Winsor in October 2007. Mr. Au holds a Master of Business Administration degree and a Bachelor of Science degree. He is a fellow member of the Association of Chartered Certified Accountants. The business address of Mr. Au is Suite 3103, 9 Queen's Road Central, Hong Kong.

Non-Executive Directors

Mr. KWOK Ping Luen, Raymond, 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 ("SHKPL") (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance). He holds a Master of Arts degree in Law from Cambridge University, a Master degree in Business Administration from Harvard University, an Honorary Doctorate degree in Laws from The Chinese University of Hong Kong and an Honorary Doctorate degree in Business Administration from The Open University of Hong Kong. He is the Chairman of SUNeVision Holdings Ltd. and SmarTone Telecommunications Holdings Limited, a non-executive director of Transport International Holdings Limited and an independent non-executive director of Standard Chartered Bank (Hong Kong) Limited.

In civic activities, Mr. Kwok is a Director of The Real Estate Developers Association of Hong Kong, a Member of the General Committee of The Hong Kong General Chamber of Commerce and Vice-Chairman of the Council of The Chinese University of Hong Kong. He was a Member of the Hong Kong Port Development Council until 31 December 2008. The business address of Mr. Kwok is 45/F, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong.

Mr. WONG Yick Kam, Michael, aged 57, was appointed non-executive director of the Company in 2002. Mr. Wong is also an alternate director to Mr. Kwok Ping Luen, Raymond and a member of the Audit Committee of the Company. He obtained his Bachelor of Business Administration and Master of Business Administration degrees from The Chinese University of Hong Kong. Being an executive director of SHKPL (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance), he will relinquish this position with effect from 1 January 2010 and will then become a non-executive director of SHKPL.

He resigned as the Deputy Chairman and non-executive director of Roadshow Holdings Limited with effect from 20 November 2008 and as a non-executive director of SmarTone Telecommunications Holdings Limited with effect from 18 November 2009. He retired by rotation as an executive director of SUNeVision Holdings Ltd. with effect from the conclusion of the annual general meeting held on 30 October 2009.

Mr. Wong is Chairman of the Hong Kong Youth Hostels Association. He is a member of the HKSAR Government's Steering Committee on Promotion of Volunteer Service, Steering Committee on Child Development Fund and Steering Committee on Promotion of Electric Vehicles. He is also a member of the Board of Trustees of New Asia College, The Chinese University of Hong Kong, and a member and Treasurer of the Council of The Open University of Hong Kong. The business address of Mr. Wong is 45/F, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong.

Mr. HONG Pak Cheung, William, aged 54, was appointed non-executive director of the Company in 2002. He is an alternate Audit Committee member to Mr. Wong Yick Kam, Michael. He received a Bachelor of Science degree in Mathematics from the University of Saskatchewan in Canada and completed the Advanced Management Program at Harvard University Graduate School of Business. Mr. Hong currently holds the position of Manager at SHKPL (a substantial shareholder of the Company within the meaning of Part XV of the Securities and Futures Ordinance). The business address of Mr. Hong is 45/F, Sun Hung Kai Centre, 30 Harbour Road, Hong Kong

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 Securities and Futures Ordinance and listed in Singapore). His past experiences are in power station, oil company, shipbuilding and shiprepairing industries as well as banking. Prior to joining Wing Tai Group, Mr. Loh was with the DBS Group for 17 years, holding the posts of Executive Director of Raffles City Pte Ltd (now known as CapitaLand (RCS) Property Management Pte Ltd) and General Manager of DBS Land. Mr. Loh has also served on a few Government committees in Singapore, including SAFTI Military College and Temasek Polytechnic. He was the Chairman of SLF Properties Pte Ltd and SLF Management Services Pte Ltd. Mr. Loh was elected the President of Real Estate Developers' Association of Singapore (REDAS) from 2001 to 2003. He graduated with a Bachelor of Engineering (Mechanical) from the University of Adelaide, Australia. The business address of Mr. Loh is 3 Killiney Road, #10-01 Winsland House I, Singapore 239519.

Independent Non-Executive Directors

Mr. Simon MURRAY, aged 69, was appointed independent non-executive director of the Company in 1994. Mr. Murray is a member of the Remuneration Committee of the Company. He is the Chairman of General Enterprise Management Services International Limited, a private equity fund management company. Before this, Mr. Murray has been the Executive Chairman of Asia Pacific for the Deutsche Bank Group. He is a director of a number of listed companies in Hong Kong including Cheung Kong (Holdings) Limited, Orient Overseas (International) Limited and Arnhold Holdings Limited. He is also a non-executive director of Vodafone Group Plc (whose shares are listed on the

London and New York Stock Exchange), Compagnie Financière Richemont SA (whose shares are listed on SWX Swiss Exchange) and an independent director of Sino-Forest Corporation (whose shares are listed on the Toronto Stock Exchange). Mr. Murray resigned as independent non-executive director of Hutchison Whampoa Limited on 17 May 2007. The business address of Mr. Murray is Suite 3601 Cheung Kong Centre, 2 Queen's Road Central, Hong Kong.

Mr. FANG Hung, Kenneth, 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. He is also the Chairman of Times Ltd. and Yeebo (International Holdings) Limited, both of the companies listed on the Main Board of the Hong Kong Stock Exchange. Mr. Fang 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 non executive director of Jiangsu on 20 October 2009. Mr. Fang graduated from Massachusetts Institute of Technology, U.S.A. in 1961 with a Master's degree in Chemical Engineering. He was also conferred an Honorary Degree of Doctor of Business Administration by the Hong Kong Polytechnic University in 2005. He is an Honorary Chairman of the Hong Kong Textile Council, an Honorary President of the Hong Kong Woollen and Synthetic Knitting Manufacturers' Association and the Chairman of the board of directors of the Hong Kong Research Institute of Textile and Apparel. The business address of Mr. Fang is 4/F., 20-24 Kwai Wing Road, Kwai Chung, New Territories.

Mr. YEUNG Kit Shing, Jackson, aged 59, was appointed independent non-executive director of the Company in 2004. He is the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. Mr. Yeung has over 25 years of experience in finance and accounting. He is a fellow member of the Hong Kong Institute of Certified Public Accountants. Mr. Yeung holds a Master of Professional Accounting degree from The Hong Kong Polytechnic University. The business address of Mr. Yeung is 21/F., ICBC Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong.

Senior Management

Mr. Andreas L HOFER, 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. He was also Chairman of the Hong Kong Hotels Association. Mr. Hofer joined Wharf Holdings in Hong Kong as President of their Marco Polo International Hotel Division prior to his appointment to a subsidiary of Singapore Land to oversee their Hotel Investments. Concurrent with his tenure as Vice Chairman of Lanson Place, Mr. Hofer is also the Executive Director of Hyde Park Land & Hospitality Management Ltd, a company registered in British Columbia, Canada.

Mr. Hofer was bestowed with a Fellowship from The Hong Kong Polytechnic University in 2007. The business address of Mr. Hofer is Suite 3103, 9 Queen's Road Central, Hong Kong.

Mr. CHUNG Siu Wah, Henry, aged 54, is the Group Legal Counsel. He joined the Group in 1993. Mr. Chung holds a Master's Degree in Electronic Commerce and Internet Computing from The University of Hong Kong, a Bachelor's Degree in Laws from University of London, a Bachelor's Degree and a Master's Degree in Business Administration from The Chinese University of Hong Kong and a Bachelor's Degree in Laws from Tsinghua University. He is a Barrister, a Certified Accountant and a Chartered Secretary. The business address of Mr. Chung is 22/F., Unimix Industrial Centre, 2 Ng Fong Street, San Po Kong, Kowloon, Hong Kong.

Mr. LEUNG Chun Keung, Andrew, aged 52, is the Executive Director of China Investment and is responsible for overseeing the Group's investments in China. Prior to joining the Group, he was an executive director of Sunday Communications Limited. Mr. Leung graduated from The University of Hong Kong with an Honours Bachelor's degree in Laws and a Post Graduate Certificate in Laws and was qualified as a solicitor in New South Wales, Australia, the United Kingdom and Hong Kong. The business address of Mr. Leung is Suite 3103, 9 Queen's Road Central, 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. The business address of Mrs. Li is Suite 3103, 9 Queen's Road Central, Hong Kong.

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. The business address of Ms. Fung is Suite 3103, 9 Queen's Road Central, Hong Kong.

5. DISCLOSURE OF INTERESTS

(a) Directors and chief executive

As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO or have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

I. *Interests in the Company*

	Number of Shares held						
Name of Director	**Personal interests**	**Family interests**	**Corporate interests**	**Other interests**	**Number of underlying Shares held under equity derivatives** *(Note e)*	**Aggregate interests**	**Percentage of the issued share capital** *(Note a)*
Cheng Wai Chee, Christopher	4,040,998 *(Note f)*	—	197,918,781 *(Note b)*	462,488,032 *(Note c)*	2,452,250	666,900,061	67.40%
Cheng Wai Sun, Edward	3,939,666 *(Note g)*	—	—	462,488,032 *(Note c)*	2,452,250	468,879,948	47.39%
Cheng Man Piu, Francis	—	—	—	462,488,032 *(Note c)*	—	462,488,032	46.74%
Chow Wai Wai, John	90,000	—	—	—	—	90,000	0.01%
Ng Tak Wai, Frederick	235,250	762,000	—	—	101,750	1,099,000	0.11%
Au Hing Lun, Dennis	754,750	—	—	—	933,250	1,688,000	0.17%
Kwok Ping Luen, Raymond	—	—	—	6,918,425 *(Note d)*	—	6,918,425	0.70%
Simon Murray	—	—	—	—	1,000,000	1,000,000	0.10%

Notes:

(a) The total number of issued shares in the capital of the Company (the "Shares") as at the Latest Practicable Date was 989,439,918.

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

Wing Tai (Cheng) Holdings Limited has also irrevocably undertaken to subscribe and to procure its associates to subscribe for 49,479,695 Rights Shares to be provisionally allotted to them pursuant to the Undertakings.

(c) Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis were beneficiaries of a family trust whose assets included indirect interests in 346,866,024 Shares comprising 106,345,862, 37,712,000 and 202,808,162 Shares beneficially owned by Brave Dragon Limited, Wing Tai Retail Pte. Ltd. and Crossbrook Group Limited respectively. Please refer to the section below headed "Substantial Shareholders' Interests" for further details.

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

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

(f) Cheng Wai Chee, Christopher was interested in 3,030,749 Shares and has irrevocably undertaken to subscribe for 1,010,249 Rights Shares to be provisionally allotted to him pursuant to the Undertakings.

(g) Cheng Wai Sun, Edward was interested in 2,954,750 Shares and has irrevocably undertaken to subscribe for 984,916 Rights Shares to be provisionally allotted to him pursuant to the Undertakings.

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

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

Notes:

(a) The total number of issued shares in the capital of Winsor as at the Latest Practicable Date was 259,685,288 shares.

(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).

III. *Share Option Scheme*

Details of the share options granted to an independent non-executive director under the share option scheme of the Company and outstanding as at the Latest Practicable Date are as follows:

Name of Director	Date of grant	Exercise price per ordinary share	Number of share options	Exercisable period
Simon Murray	19.4.2005	HK$2.125	1,000,000	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.

IV. *Share Incentive Scheme*

Details of the incentive shares awarded to certain executive directors under the share incentive scheme of the Company and outstanding as at the Latest Practicable Date are as follows:

Name of Director	Date of award	Number of incentive shares	Vesting date/period of the outstanding awards	Exercisable period
Cheng Wai Chee, Christopher	25.4.2006	273,000	12.1.2009	12.1.2009 to 11.1.2016
	26.7.2007	245,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	8.7.2008	94,250	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	94,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	188,500	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	389,250	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	389,250	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	778,500	20.1.2012	20.1.2012 to 15.6.2019

Name of Director	Date of award	Number of incentive shares	Vesting date/period of the outstanding awards	Exercisable period
Cheng Wai Sun, Edward	25.4.2006	273,000	12.1.2009	12.1.2009 to 11.1.2016
	26.7.2007	245,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	8.7.2008	94,250	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	94,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	188,500	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	389,250	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	389,250	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	778,500	20.1.2012	20.1.2012 to 15.6.2019
Ng Tak Wai, Frederick	8.7.2008	10,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	20,500	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	17,750	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	17,750	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	35,500	20.1.2012	20.1.2012 to 15.6.2019
Au Hing Lun, Dennis	26.7.2007	65,500	8.2.2010	8.2.2010 to 26.7.2017
	8.7.2008	45,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	90,500	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	183,000	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	183,000	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	366,000	20.1.2012	20.1.2012 to 15.6.2019
Employees	29.6.2006	10,000	29.6.2009	29.6.2009 to 28.6.2016
	26.7.2007	150,250	8.2.2009 to 8.2.2010	8.2.2009 to 26.7.2017
	26.7.2007	27,750	17.7.2009 to 17.7.2010	17.7.2009 to 26.7.2017
	8.7.2008	12,750	30.1.2009	30.1.2009 to 8.7.2018
	8.7.2008	127,250	30.1.2010	30.1.2010 to 8.7.2018
	8.7.2008	254,500	30.1.2011	30.1.2011 to 8.7.2018
	15.6.2009	522,750	20.1.2010	20.1.2010 to 15.6.2019
	15.6.2009	522,750	20.1.2011	20.1.2011 to 15.6.2019
	15.6.2009	1,045,500	20.1.2012	20.1.2012 to 15.6.2019
Total		8,613,000		

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.

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

All the interests in shares disclosed above under this section represent long position in the shares and underlying shares of the Company or its associated corporations (within the meaning of the SFO). Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of the SFO) which has been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of the SFO or have been recorded in the register maintained by the Company pursuant to section 352 of the SFO, or which has been notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) **Substantial Shareholders**

As at the Latest Practicable Date, the following persons (other than the Directors and the chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company as recorded in the register kept by the Company pursuant to section 336 of the SFO:

Long Positions in the Shares of the Company

Name of Shareholder	**Number of Shares beneficially held**	**Percentage of shareholding** *(Note 1)*
Brave Dragon Limited	106,345,862	10.75%
Crossbrook Group Limited	202,808,162	20.50%
Wing Tai Holdings Limited	462,488,032	46.74% *(Note 2)*
Deutsche Bank International Trust Co. (Jersey) Limited	462,488,032	46.74% *(Note 3)*
Deutsche Bank International Trust Co. (Cayman) Limited	462,488,032	46.74% *(Note 3)*
Wing Tai Corporation Limited	135,446,118	13.69% *(Note 4)*
Renowned Development Limited	135,446,118	13.69% *(Note 4)*
Wing Tai (Cheng) Holdings Limited	197,918,781	20.00% *(Note 5)*
Sun Hung Kai Properties Limited	136,956,400	13.84% *(Note 6)*
HSBC Trustee (C.I.) Limited	136,956,400	13.84% *(Note 7)*
Gala Land Investment Co. Ltd	76,184,600	7.70%

Name of Shareholder	Number of Shares beneficially held	Percentage of shareholding *(Note 1)*
Franham Group Ltd	76,184,600	7.70% *(Note 8)*
Chou Wen Hsien	112,824,744	11.40% *(Note 9)*
Chou Yim Wan Chun, Ina	112,824,744	11.40% *(Note 9)*
Chow Chung Kai	112,609,202	11.38% *(Note 10)*
Chow Yu Yue Chen	112,609,202	11.38% *(Note 10)*
Cazenove Asia Limited	163,062,519	12.34% *(Note 11)*

Notes:

(1) The total number of issued Shares as at the Latest Practicable Date was 989,439,918.

(2) Wing Tai Holdings Limited beneficially owned 89.4% of the issued share capital of Brave Dragon Limited, 100% of the issued share capital of Crossbrook Group Limited and 100% of the issued shares capital of Wing Tai Retail Pte. Ltd. Wing Tai Retail Pte. Ltd. owned 37,712,000 Shares.

Wing Tai Holdings Limited has also irrevocably undertaken to subscribe and to procure its associates to subscribe for 115,622,008 Rights Shares to be provisionally allotted to them pursuant to the Undertakings.

(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 28.58% 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 9.35% of the issued shares of Wing Tai Holdings Limited.

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

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

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

Wing Tai (Cheng) Holdings Limited has also irrevocably undertaken to subscribe and to procure its associates to subscribe for 49,479,695 Rights Shares to be provisionally allotted to them pursuant to the Undertakings.

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

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

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

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

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

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

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

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

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

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

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

(11) Cazenove Asia Limited, the Underwriter, was interested in 163,062,519 Rights Shares in light of its obligations to underwrite such Rights Shares pursuant to the Underwriting Agreement. The percentage of shareholding in the Company is calculated on the basis of 1,321,834,890 Shares in issue immediately after the Rights Issue.

(c) **Interests in other members of the Group**

Name of non wholly-owned subsidiaries of the Company	Name of registered substantial shareholder(s)	Number of Shares held by substantial shareholder(s)	Holding percentage
Eternal Way (Cambodia) Limited	Van Sou Ieng	100,000 ordinary shares	10%
Fore Prosper Limited	Dragon Eye Holding Limited	400 ordinary shares	40%
Myanmar Unimix International Limited (In Liquidation)	Union of Myanmar Economic Holding Limited	9,550,000 ordinary shares	40%
Shanghai Lifestyle Plaza Limited	Lifestyle Enterprises Limited (formerly Boom Big International Limited)	200 ordinary shares	20%
Sun Hung International Limited	Lam Hon Hung	1,500,000 ordinary shares	20%
Winner Godown Limited	Chang Hong Kwai	225,000 ordinary shares	15%
	Chang Hong Song	225,000 ordinary shares	15%

Save as disclosed above, the directors and the chief executive of the Company are not aware that there is any person (other than any directors or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or a short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered into the register required to be kept under Section 336 of the SFO, or who is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company or any other member of the Group.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

The interests of the Directors and their respective associates in competing businesses required to be disclosed pursuant to Rule 8.10 of the Listing Rules are as follows:

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

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

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

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

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

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

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

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

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

7. DIRECTORS' INTERESTS IN ASSETS AND 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, the Company, DNP Holdings Berhad ("DNP") and Kualiti Gold Sdn Bhd (the "JV Company") entered into a joint venture and shareholders' agreement (the "JV Agreement") relating to the JV Company for the purposes of acquiring a building in Kuala Lumpur (the "Development"), fitting out and operating the Development as serviced apartments (the "Transaction"). The total commitment of the Group to the JV Company is not expected to exceed HK$258,750,000. The Transaction was approved by the Independent Shareholders at a special general meeting of the Company held on 6 June 2008. Details of the Transaction were disclosed in the announcement and circular of the Company issued on 24 April 2008 and 22 May 2008 respectively.

As DNP, a party to the JV Agreement, is an associate (as defined under the Listing Rules) of each Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis, each of Mr. Cheng Wai Chee, Christopher, Mr. Cheng Wai Sun, Edward and Mr. Cheng Man Piu, Francis was taken as having a material interest in the JV Agreement which was significant in relation to the business of the Group subsisting as of the date of this prospectus.

Save as disclosed in this prospectus, none of the Directors and proposed Directors have any interest, direct or indirect, in any assets which have been, since 31 December 2008 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group and the Directors confirmed that there is no contract or arrangement subsisting at the date of this prospectus in which any of them is materially interested and which is significant in relation to the business of the Group.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

9. MATERIAL ADVERSE CHANGES

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up.

10. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter, into any service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

11. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business) have been entered into by members of the Group within the two years preceding the date of this Prospectus and are or may be material:

(a) the Undertakings; and

(b) the Underwriting Agreement.

12. EXPERTS

The following is the qualification of the experts who have given, or agreed to the inclusion of, its opinions or advice in this Prospectus:

Name	Qualification
PricewaterhouseCoopers	Certified Public Accountants
Appleby	Bermuda attorneys-at-law

Each of the above experts has confirmed that, as at the Latest Practicable Date, it has no shareholding in any member of the Group or the right to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Each of the above experts has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of their respective letters, opinions and reports and/or reference to its name, as the case may be, in the form and context in which they respectively appear.

13. EXPERTS' INTERESTS IN ASSETS

As at the Latest Practicable Date, each of PricewaterhouseCoopers and Appleby did not have any interest, direct or indirect, in any asset which has been since 31 December 2008, being the date to which the latest published audited financial statements of the Group were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of by or leased to any member of the Group.

14. MISCELLANEOUS

The share registrar and transfer office of the Company is Tricor Standard Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.

The secretary of the Company is Ms. Fung Ching Man, Janet. She is also the Chief Financial Officer of the Company. Ms Fung holds 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.

15. FUND RAISING ACTIVITIES

Save as otherwise described in this Prospectus, in the 12 months preceding the date of the Announcement the Company has not raised funds on the issue of any equity securities of the Company.

16. EXPENSES

The expenses in connection with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal and accounting charges are estimated to amount to approximately HK$11.5 million and will be payable by the Group.

17. DOCUMENTS REGISTERED WITH THE REGISTRARS OF COMPANIES

A copy of each of the Rights Issue Documents and the written consent given by PricewaterhouseCoopers and Appleby as referred to in this appendix, have been registered with the Registrar of Companies in Hong Kong pursuant to section 342C of the Companies Ordinance. A copy of each of the Rights Issue Documents have been filed with the Registrar of Companies in Bermuda.

18. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the office of Slaughter and May at 47/F, Jardine House, One Connaught Place, Central, Hong Kong from the date of this Prospectus up to and including Friday, 11 December 2009:

(a) the memorandum of association of the Company and the bye-laws of the Company;

(b) the report from PricewaterhouseCoopers on the unaudited pro forma financial information of the Group as set out in Appendix II of this Prospectus;

(c) the annual reports of the Company for each of the two years ended 31 December 2007 and 2008 respectively and interim report of the Company for the six months ended 30 June 2009;

(d) the written consent given by PricewaterhouseCoopers and Appleby referred to under the section headed "Experts" of this Appendix;

(e) the material contracts referred to under the section headed "Material Contracts" above; and

(f) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and 14A of the Listing Rules which has been issued since 31 December 2008.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of shareholders of the Company is limited to the amount, if any, for the time being unpaid on the shares held by the shareholders and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the powers of the Company and the objects for which the Company was formed, including acting as a holding company

In accordance with and subject to section 42A of the Companies Act, the Memorandum of Association of the Company empowers it to purchase its own shares.

2. BYE-LAWS

The Bye-laws of the Company were adopted on 18 November 1991 and amended on 25 June 1996, 10 June 2003, 15 June 2004 and 17 June 2005. The following is a summary of certain provisions of the Bye-laws.

a. **Shares**

(i) ***Classes of Shares***

The share capital of the Company consists of ordinary shares.

(ii) ***Share Certificates***

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, which for this purpose may be a securities seal. In relation to the use of the securities seal for sealing certificates for shares or other securities of the Company, no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document and any such certificates or other document to which such securities seal is affixed shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction as aforesaid.

The Company shall not be bound to register more than four persons as joint holders of any share.

b. **Directors**

(i) ***Power to allot and issue shares***

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the board of Directors (the "Board") may determine) and any preference share may, subject to the Companies Act and with the sanction of a special resolution, be issued on terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Association of the Company, at the option of the holder.

The Board may, subject to the approval by the shareholders in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no new warrant shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such new warrant.

Subject to the provisions of the Companies Act and the Bye-laws, and to the permission of the Bermuda Monetary Authority being obtained, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot (with or without conferring a right of renunciation), grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it shall in its absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) ***Management of the business of the Company***

The Board may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not required by the Bye-laws or the statutes expressly directed or required to be exercised or done by the Company in general meeting.

(iii) ***Compensation or payments for loss of office***

Payments to any Director or past Director of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) ***Loans to Directors***

There are no express provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans to their directors, the relevant provisions of which are summarized below.

(v) ***Financial assistance to acquire shares of the Company***

Subject to the statutes:-

(a) the Company may in accordance with any scheme for the time being in force and approved by the shareholders in general meeting provide directly or indirectly money or other financial assistance for the purpose of or in connection with the purchase of, or subscription for, fully or partly paid shares in the Company or any holding company of the Company, being a purchase of or subscription for shares by a trustee of or to be held by or for the benefit of employees of the Company, any of its subsidiaries, any holding company of the Company or any subsidiary of any such holding company including any director holding a salaried employment or office with or in any such company and so that the residual beneficiary of any such trust may be or include a charitable object; and

(b) the Company may give financial assistance on such terms as the Directors think fit to directors and bona fide employees of the Company, any of its subsidiaries, any holding company of the Company and/or any subsidiary of any such holding company in order that they may buy shares (fully or partly paid) in the Company or any holding company of the Company and such terms may include a reference that, when a director ceases to be a director of, or an employee ceases to be employed by, the Company or such other company, shares bough with such financial assistance shall or may be sold to the Company or such other company on such terms as the Directors think fit.

(vi) ***Disclosure of interests in contracts with the Company or any of its subsidiaries***

Subject to the Companies Act, a Director may hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. A Director of the Company may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the shareholders for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Companies Act and the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the shareholders for any remuneration, profit or other benefits realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

A Director shall not vote on any resolution of the Board approving any contract or arrangement or any other proposal in which he or any of his associate(s) has/ have a material interest nor shall he be counted in the quorum present at the meeting, but this prohibition will not apply to any of the following matters namely:-

(aa) the giving of any security or indemnity either:

(i) to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or

(ii) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/ themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;

(bb) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(cc) any proposal concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or shareholder or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregated beneficially interested in 5% or more of the issued shares of any class of such company (or of any third company through which his interest or that of his associate(s) is derived) or of the voting rights;

(dd) any proposal or arrangement concerning the benefit of employees of the Company or its subsidiaries including:

(i) the adoption, modification or operation of any employees' share scheme or any share incentive or share option scheme involving the issue or grant of options over shares or other securities by the Company under which the Director or his associate(s) may benefit; or

(ii) the adoption, modification or operation of a pension fund or retirement, death or disability benefits scheme which relates both to Directors, his associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or his associate(s), as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and

(iii) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(vii) ***Remuneration***

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors. The Board may grant special remuneration to any Director, who being called upon, performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of a managing director, joint managing director, deputy managing director or other executive director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension and/or gratuity and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration is in addition to his remuneration as a Director.

The Board also has power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependents of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) ***Retirement, appointment and removal***

At each annual general meeting one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) will retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot. The retiring Directors shall be eligible for re-election.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office at least seven days before the date of the general meeting.

Directors of the Company are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than two. A Director may be removed by a special resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The Board may from time to time entrust to and confer upon a managing director, joint managing director, assistant managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose. The Board may delegate any of its powers to committees consisting of such member or shareholders of its body and such other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board.

(ix) ***Borrowing powers***

Subject to the provisions of the Companies Act, the Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

c. **Alterations to constitutional documents**

The Bye-laws state that a special resolution is required to alter the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company.

d. **Alterations of capital**

The Company may from time to time by ordinary resolution:-

(i) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(ii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iii) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(iv) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Act, and so that the resolution whereby any shares is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares; and

(v) make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

e. **Variation of rights of existing shares or classes of shares**

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that, inter alia, the necessary quorum is not less than two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class, and any holder of shares of the class present in person or by proxy may demand a poll.

f. **Special resolutions - majority required**

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast of such shareholders as, being entitled so to do, vote in person or, in the cases of such shareholders as are corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, if it is so agreed by a majority in number of the shareholders having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

g. **Voting rights and right to demand a poll**

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every shareholder who is present in person or by a duly authorised corporate representative shall have one vote and on a poll, every shareholder present in person or by a duly authorised corporate representative or by proxy shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share). On a poll, a shareholder entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three shareholders present in person or by proxy or by a duly authorised corporate representative for the time being entitled to vote at the meeting; or (iii) by any shareholder or shareholders present in person or by proxy or by a duly authorised corporate representative and representing not less than one-tenth of the total voting rights of all the shareholders having the right to vote at the meeting; or (iv) by a shareholder or shareholders present in person or by proxy or by a duly authorised corporate representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

h. **Requirements for annual general meetings**

An annual general meeting must be held once in every year and within not more than fifteen months after the last preceding annual general meeting.

i. **Accounts and audit**

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the statutes or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account are to be kept at the head office or at such other place as the Board thinks fit and shall always be open to the inspection of the Directors provided that such records as are required by the statutes shall also be kept at the registered office. No shareholder (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the statutes or ordered by a court of competent jurisdiction or authorised by the Board or by the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the statutes. Subject to the Bye-laws, every balance sheet of the Company shall be signed on behalf of the Board by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting, be sent to every shareholder of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Act or of the Bye-laws provided that the Company shall not be required to send a copy of these documents to any person whose address the Company is not aware or to more than one of the joint holders of any shares or debentures. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Companies Act. Subject as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Board.

j. Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution must be called by twenty-one days' notice in writing at least and any other special general meeting shall be called by at least fourteen days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

Any notice or document (including any "corporate communication") within the meaning ascribed thereto under the applicable rules prescribed by The Stock Exchange of Hong Kong Limited, whether or not to be given or issued under the Bye-laws from the Company to a shareholder, shall be in writing or by cable, telex or facsimile transmission message or other form of electronic transmission or communication and any such notice or document may be served or delivered by the Company on or to any shareholder either (i) personally; (ii) by sending it through the post in a prepaid envelope addressed to such shareholder at his registered address as appearing in the register of shareholders or at any other address supplied by him to the Company for that purpose; (iii) as the case may be, by transmitting it to any such address or transmitting it to any telex or facsimile transmission number or electronic number or address or website as authorised in writing and supplied by him to the Company for the giving/ delivering of notice or document to him or which the person transmitting the notice and/or document reasonably and bona fide believes at the relevant time will result in such notice and/or document being duly received by the shareholder; (iv) by advertisement in the Newspapers (as defined in the Bye-laws); or (v) to the extent permitted by and in accordance with the applicable statutes, rules and regulations, by placing it on the Company's computer network and giving to the shareholder a notice stating that the notice or other document is available there (a "Notice of Availability") in such manner as he may from time to time authorize. The Notice of Availability may be given to the shareholder by any means set out above. In the case of joint holders of a share, all notices and/or documents shall be given to that one of the joint holders whose name stands first in the register of shareholders and notice and/or document so given shall be deemed a sufficient service on or delivery to all the joint holders.

k. **Transfer of shares**

Subject to the Companies Act, all transfers of shares may be effected by transfer in writing in the usual or common form as the Board may accept and may be under hand or if the transferor or transferee is a clearing house or its nominee(s), by hand or by mechanical imprinted signature or such other manner as the Board may from time to time approve. An instrument of transfer must be executed by or on behalf of the transferor and the transferee (provided that the Board may dispense with the execution of the instrument of transfer by the transferee in any case in which it thinks fit) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of shareholders in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees (which agreement may be on such terms and subject to such conditions as the Board in its absolute discretion may from time to time stipulate and which agreement it shall, without giving any reason therefore, be entitled in its absolute discretion to give or withhold), no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office.

The Board may in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom it does not approve or any share issued under any share incentive scheme for employees upon which a restriction on transfer imposed thereby still subsists, and it may refuse to register the transfer of any shares (whether fully paid or not) to more than four joint holders or any transfer of any share not being a fully paid up share. If the Board refuses to register a transfer, it will within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The Board may decline to recognise any instrument of transfer unless a fee of such sum as may be determined by the stock exchange which is an appointed stock exchange for the purposes of the Companies Act in respect of which the shares of the Company are listed or quoted and where such appointed stock exchange deems such listing or quotation to be the primary listing or quotation of the shares of the Company to be payable or such lesser sum as the Board may from time to time determine is paid to the Company in respect thereof has been paid, the shares are free of any lien in favour of the Company, the instrument of transfer is properly stamped (if applicable), is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect thereto shall be obtained.

The registration of transfers may, on giving notice by advertisement in an appointed newspaper in Bermuda and in one or more Newspapers, be suspended at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register of shareholders shall not be closed for more than thirty days in any year.

l. **Power for the Company to purchase its own shares**

Subject to the statutes, the Bye-laws give the Board the power to determine the terms and conditions subject to which this power is to be exercised.

m. **Dividends and other methods of distribution**

The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will (as regards any shares not fully paid through-out the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid upon a share in advance of calls will for this purpose be treated as paid up on the shares. The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any shareholder all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the shareholders entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the shareholders entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by a special resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to shareholders to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any shareholder willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide but a payment in advance of a call shall not entitle the shareholder to receive any dividend or to exercise any other rights or privileges as a shareholder in respect of the share or the due portion of the shares upon which payment has been advanced by such shareholder before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on 2 consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

n. **Proxies**

Any shareholder of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. On a poll, votes may be given either personally, or by a duly authorised corporate representative or by proxy. A shareholder holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a shareholder of the Company.

The instrument appointing a proxy, shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. Provided that any form issued to a shareholder for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the shareholder, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Where that shareholder is a clearing house or its nominee, it may, inter alia, appoint such person or persons as it thinks fit to act as its proxy or proxies at any shareholders' general meeting or any meeting of any class of shareholders provided that if more than one proxy is so appointed, the appointment shall specify the number or class of shares in respect of which each such proxy or corporate representative is to be appointed. The person so appointed will be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if it were an individual shareholder of the Company including the right to vote individually on a show of hands.

o. **Calls on shares and forfeiture of shares**

The Board may from time to time make such calls as it may think fit upon the shareholders in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part.

If a shareholder fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made, such place being either the registered office of the Company, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a shareholder in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

p. **Quorum for meetings**

For all purposes the quorum for a general meeting shall be two shareholders present in person or by a duly authorised corporate representative or by proxy and entitled to vote.

q. **Procedures on liquidation**

A resolution that the Company be wound up by the court or be wound up voluntarily must be a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the shareholders in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the shareholders in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the sanction of a special resolution, divide among the shareholders in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or consists of properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the shareholders or different classes of shareholders and the shareholders within each class. The liquidator may, with the like sanction, vest any part of the assets in trustees upon such trusts for the benefit of shareholders as the liquidator, with the like sanction, shall think fit, but so that no shareholder shall be compelled to accept any shares or other assets upon which there is a liability.

r. **Stock**

Subject to the statutes, the Company may by ordinary resolution convert any paid up shares into stock, and may from time to time by like resolution reconvert any stock into paid up shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Board may from time to time, if it thinks fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings and other matters, as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company) shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Bye-laws as are applicable to paid up shares shall apply to stock, and the words "share" and "shareholder" therein shall include "stock" and "stockholder".

Summary of Bermuda Companies Law

BERMUDA PROVISIONS

Below is summary of certain provisions of the Companies Act. This summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

The company law of Bermuda is historically derived, for the most part, from the laws of England and is essentially embodied in the provisions of the Companies Act, most of which are drawn from the Companies Act 1948 of the United Kingdom, with certain reliance placed upon the laws of Ontario, Canada and, to some extent, upon the Companies Ordinance of Hong Kong. Other provisions are original Bermuda provisions endeavouring to cater to the specific circumstances of international business in Bermuda; these relate specifically to concepts not recognised in other jurisdictions (e.g. exempted as opposed to local companies) and contain particular emphasis on the restrictions imposed upon exempted companies with regard to what they may do in Bermuda as opposed to outside Bermuda from a place of business in Bermuda. The common law of England and Wales constitutes persuasive precedent and authority in the Bermuda courts.

a. **Constituent Documents**

The business activities of the Company will be governed by the provisions of its Memorandum of Association which sets out, in detail, its specific business objects, and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter of which are regarded as supplemental to the principal business objects of the Company.

The Companies Act provides that the objects set out in the different paragraphs of the objects clause in the Memorandum of Association shall not be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the Memorandum of Association and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

The Memorandum of Association may be altered under the provisions of the Companies Act and which alteration must also conform to Bermuda policy. It is required that the consent of the shareholders of the Company in general meeting be given, following due notice of the intention of the meeting, before a Memorandum of Association may be altered. It is required that following the passage of a resolution of the shareholders in general meeting approving the alteration, certain filings be made with the Registrar of Companies in Bermuda ("Registrar"). Prior to taking formal steps in relation to the alteration of the Memorandum of Association, it will be necessary to obtain the Minister's consent if the Company carries on any "restricted business activity" within the definition of section 4A of the Companies Act.

The Bye-laws will govern the Company's administration and the relationship between its shareholders and the Board of Directors. The Bye-laws are required, by Section 13 of the Companies Act, to make provision for a certain limited number of matters. It furthermore provides that certain additional matters may be included in the Bye-laws for the better regulation of the Company.

The shareholders of the Company are entitled to receive copies of the Memorandum of Association and its Bye-laws upon request, which obligation is established by the provisions of the Companies Act. The Companies Act provides that all persons who agree to become shareholders of the Company shall upon entry on the register of shareholders, which shall include the branch register, be deemed to be shareholders of the Company.

b. **Taxation**

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the "Government Fee"), which is determined on a sliding scale by reference to a company's authorised share capital and share premium account, with the minimum fee being BD$1,995 and the maximum fee being BD$31,120 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31st August in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by the Company for a period ending 28th March, 2016.

c. **Stamp Duty**

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on the 1st April, 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

d. **Prospectus issues and public offers**

The Companies Act regulates the issue of shares by way of public offer. It requires that, before or as soon as reasonably practicable after an offer of shares to the public (defined in the case of an exempted company as, inter alia, an offer calculated to result directly or indirectly in the shares becoming available to more than thirty-five persons), the Company shall have first published, in writing, a prospectus signed by or on behalf of all the Directors and shall have filed a copy with the Registrar. It also requires that a certificate, signed by an attorney in Bermuda, be filed with the prospectus, certifying: (i) that the prospectus contains certain particulars required by the Companies Act and is accompanied by a written statement from the auditor of the Company wherein the auditor confirms his consent to the inclusion of his report in the prospectus to be issued by the Company; or

(ii) that an appointed stock exchange or a competent regulatory authority has received or otherwise accepted the prospectus as a basis for offering shares to the public. The following are some of the stock exchanges or regulatory authorities approved by the Minister and designated as:-

Appointed Stock Exchanges

The Alberta Stock Exchange
American Stock Exchange, Inc.
Australian Stock Exchange Ltd.
The Bermuda Stock Exchange
The Bolsa de Madrid
Boston Stock Exchange, Inc.
Bursa Malaysia Securities Berhad
Canadian Dealing Network
Canadian Venture Exchange
The Commission de Surveillance du Secteur Financier
Dubai International Financial Exchange
The Euro MTF Market
The Euronext Exchange
European Association of Security Dealers Automated Quotation S.A. (EASDAQ)
Frankfurt Stock Exchange
The Stock Exchange of Hong Kong Ltd.
The Irish Stock Exchange
JASDAQ Market
The Johannesburg Stock Exchange
London Stock Exchange
London Stock Exchange — Alternative Investment Market (AIM)
Societe de la Bourse de Luxembourg S.A.
Bourse de Montreal
National Association of Security Dealers Automated Quotations System (NASDAQ)
New York Stock Exchange, Inc.
New Zealand Stock Exchange
Nya Marknaden
Oslo BØrs
Paris Bourse
PLUS Markets
Sao Paulo Stock Exchange
Shanghai Stock Exchange
Singapore Exchange Securities Trading Limited
Specialist Fund Market
Stockholm Stock Exchange
Swiss Exchange
Tokyo Stock Exchange
The Toronto Stock Exchange
The TSX Venture Exchange
Vancouver Stock Exchange
Viennese Stock Exchange

Competent Regulatory Authorities

Australian Securities and Investments Commission

Austrian Federal Ministry of Finance

Bermuda Monetary Authority

The Commission de Surveillance du Secteur Financier

Dubai Financial Services Authority

Financial Services Authority

Hong Kong Securities and Futures Commission

Japanese Financial Services Agency and its delegate, the Kanto Local Finance Bureau of the Ministry of Finance of Japan

Luxembourg Commissariat aux Bourses

The Monetary Authority of Singapore

Ontario Securities Commission

Securities and Exchange Commission of Brazil

Securities Commission, Malaysia

Swiss Exchange

United States Securities and Exchange Commission

Accordingly, where an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus as a basis for offering shares to the public, the Company need not comply with the requirements of the Companies Act as to the detailed content of the prospectus, nor set out the minimum subscription which must be raised by the issue of shares. If otherwise, then every prospectus shall contain particulars with regard to the minimum subscription which must be raised by the issue of shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums required to be provided, in respect of each of the following matters:-

(i) the purchase price of any assets purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;

(ii) any preliminary expenses payable by the Company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or if he is procuring or agreeing to procure subscriptions for, any shares in the Company;

(iii) the repayment of any monies borrowed by the Company in respect of any of the foregoing matters;

(iv) working capital; and

(v) the amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

Furthermore where any company continuously over a period offers shares to the public, it shall, when any of the particulars in a prospectus issued by that company ceases to be accurate in a material respect, as soon as reasonably practicable, publish supplementary particulars, file a copy thereof with the Registrar as well as give a copy of the same to each shareholders of the company.

The Companies Act provides for both criminal offences in relation to the making of an untrue statement in a prospectus and civil liability for misstatements in a prospectus.

e. **Exchange Control**

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority ("BMA"). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Pursuant to a notice to public issued by the BMA dated 1 June 2005, where any Equity Securities (which definition includes shares of the Company) are listed on an appointed stock exchange, general permission is given for the issue and subsequent transfer of any securities of the Company from and/or to a non-resident, for as long as any Equity Securities of the Company remain so listed. Such general permissions are subject to change at any time by the BMA.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

f. **Share Capital**

The Companies Act provides for the giving of financial assistance by a company for the acquisition of its own or its holding company's shares in specific circumstances.

The Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called "the share premium account" and the provisions of the Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

g. **Alteration of Share Capital**

A company may if authorised by a general meeting of the shareholders of the company and by its bye-laws, alter the conditions of its memorandum of association to increase its share capital, divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the memorandum of association, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any of the above-mentioned alterations.

Furthermore a company may, if authorised by a general meeting of the shareholders, reduce its share capital. There are certain requirements, including a requirement prior to the reduction to publish a notice in an appointed newspaper stating the amount of the share capital as last determined by the company, the amount to which the share capital is to be reduced and the date on which the reduction is to have effect. The Companies Act provides that the Company shall not reduce the amount of its share capital if on the date the reduction is to be effected there are reasonable grounds for believing that the Company is, and after the reduction would be, unable to pay its liabilities as they become due.

The Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

The Companies Act requires that as soon as practicable after the allotment of any of its shares a company must complete and have ready for delivery share certificates in relation to those shares allotted unless the conditions of issue of the shares otherwise provide. A certificate under the common seal of the company shall be prima facie evidence of the title of the shareholders to the shares. The Companies Act prohibits bearer shares.

h. **Purchase by the Company of its own shares**

The Companies Act permits the Company, if authorised to do so by its Memorandum of Association or by its Bye-laws, to purchase its own shares. It should be noted that the Company is authorised by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see "Dividends" below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the Company's share premium account, or out of contributed surplus. A purchase by the Company of its own shares may be authorised by its Board of Directors or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a shareholders whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the Company or a combination of the foregoing.

The Companies Act provides that no purchase by the Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased pursuant to the Companies Act shall be treated as cancelled and the amount of the Company's issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the Company's authorised share capital.

The Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the Memorandum of Association or the Bye-laws contain a specific enabling provision authorising any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

i. **Transfer of Securities**

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister ie. through the mechanism required or permitted by an appointed stock exchange.

j. **Dividends and Distributions**

The Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became 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.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company.

k. **Charges on the Assets of the Company**

The Companies Act established a register of charges at the office of the Registrar permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges save those in effect prior to the coming into effect of the Companies Act in July of 1983. The register of charges is available for inspection by shareholders of the public. The Companies Act also makes provision for the registration of a series of debentures.

l. **Management and Administration**

The management and administration of a Bermuda company is essentially governed by Part VI of the Companies Act and provides that the management and administration of a Bermuda company shall be vested in the hands of not less than two directors duly elected by the shareholders.

The Companies Act requires that a Bermuda company maintains either:

a) a minimum of one director, other than an alternate director, who is ordinary resident in Bermuda;

b) a secretary, that is

  i) an individual who is ordinarily resident in Bermuda; or

  ii) a company which is ordinarily resident in Bermuda; or

c) a resident representative that is

  i) an individual who is ordinarily resident in Bermuda; or

  ii) a company which is ordinarily resident in Bermuda.

Exempted companies, the shares of which are listed on an appointed stock exchange, may appoint a resident representative in Bermuda in place of the other Bermuda resident officers, who or which may be either an individual or a corporate entity, whose statutory rights, duties and obligations are established by the Companies Act.

The Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the Bye-laws.

m. **Loans to Directors**

The Companies Act provides that, without consent of the shareholders of the Company holding in aggregate not less than nine-tenths of the total voting rights of all shareholders having the right to vote at any general meeting of the Company, it shall not be lawful for the Company to make a loan to any Director. This prohibition shall not apply in certain situations, including where the funds are used to meet expenditure incurred or to be incurred by the Director for the purposes of the Company provided that prior approval is obtained from the Company in general meeting.

n. **The Investigation of the Affairs of a Company and the Protection of Minorities**

The Companies Act makes specific provision with regard to the foregoing and provides that the Minister may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Companies Act requires that such an investigation be made in private unless the company requests that it be held in public. Furthermore any shareholders of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the shareholders, including himself, or where a report has been made to the Minister under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the shareholders and that to wind up the company would unfairly prejudice that part of the shareholders but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any shareholders of the company by other shareholders of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to shareholders under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a shareholders to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's memorandum of association and bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority shareholders or, for instance, where an act requires the approval of a greater percentage of the company's shareholders than that which actually approved it.

In addition to the above, shareholders may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its shareholders) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the Company by reason only of his holding or having held shares in the Company or any right to apply or subscribe for shares or to be included in the Company's register of shareholders in respect of shares.

o. **Inspection of Corporate Records**

Shareholders of the general public have the right to inspect the public documents of the Company available at the office of the Registrar which will include the Company's Certificate of Incorporation, its Memorandum of Association (including its objects and powers) and any alteration to the Memorandum of Association and documents relating to an increase or reduction of authorised capital. The shareholders have the additional right to inspect the Bye-laws, minutes of general (i.e. shareholders') meetings and audited financial statements of the Company, which must be presented to the annual general meeting of shareholders. The Company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The register of shareholders of the Company and any branch register are also open to inspection by shareholders and general shareholders of the public without charge. The Company is required to keep at its registered office a register of its Directors and officers which is open for inspection by shareholders of the public without charge. Bermuda law does not, however, provide a general right for shareholders to inspect or obtain copies of any other corporate records.

p. **Restrictions on the Activities of Exempted Companies**

Unless specifically authorised by its memorandum of association, an exempted company shall not be permitted to:-

(i) acquire or hold land in Bermuda except land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years;

(ii) take any mortgage of land in Bermuda (subject to certain exceptions); and

(iii) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on exterior to Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in

Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its memorandum of association to enable it to carry on such type of business.

The Company has been incorporated as an "exempted company". Accordingly the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. Furthermore, as an exempted company, the Company has been designated as "non resident" for exchange control purposes and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

The Company will, under the provisions of the Companies Act, be required to file in January of every year a declaration in writing stating what is the principal business of the Company and to pay the Government Fee.

q. **Accounting and Auditing Requirements under the Companies Act**

The Companies Act requires that a company shall cause to be kept proper records of account with respect to:-

(i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;

(ii) all sales and purchases of goods by the company; and

(iii) the assets and liabilities of the company.

It furthermore requires that the records of account shall be kept at the registered office of the Company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Companies Act also requires that, these records of account also be maintained at the office of the resident representative where the Company is listed on an appointed stock exchange and the Company has appointed a resident representative. There is a proviso in the Companies Act to the effect that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors or the resident representative to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period (or each six month period, where the Company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the Company to make available the records of account to any of the Directors of the Company should the Company for some reason refuse to do so. Furthermore, the Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of BD$500.00 (approximately equivalent in value to US$500.00), for the time being.

r. **Auditing Requirements**

The Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting:-

(i) financial statements for the period, which shall include:-

(aa) a statement of the results of operations for such period;

(bb) a statement of retained earnings or deficits;

(cc) a balance sheet at the end of such period;

(dd) a statement of changes in the financial position for the period;

(ee) notes to the financial statements;

(ff) such further information as required by the Companies Act and the company's memorandum of association and its bye-laws;

(ii) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and

(iii) the notes referred to in paragraph (ee) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the shareholders in general meeting shall be signed on the balance sheet by two of the directors of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the shareholders, it shall be lawful for the Chairman to adjourn the meeting for a period of up to ninety days or such longer period as the shareholders may agree.

All shareholders of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled.

The Companies Act also provides that companies listed on an appointed stock exchange may send summarized financial statements instead of the unabridged financial statements mentioned above. Each shareholders can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarized financial statements together with auditors report and notice to elect to receive the unabridged financial statements must be sent to shareholders twenty-one days before the general meeting. A company shall send the full financial statements to a shareholders within seven days of receipt of the shareholders's election to receive the full financial statements.

The summarized financial statements must be derived from the company's financial statements and shall include:

(a) a summarized report of the unabridged financial statements;

(b) such further information extracted from the financial statements as the board of directors considers appropriate; and

(c) a statement that it is only a summarized version of the company's financial statements and does not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of the company as would be provided by unabridged financial statements.

There are certain exceptions in the case of shareholders not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Companies Act also makes provision vesting power in the shareholders in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all shareholders and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 88, 89 and 90 govern the preparation and maintenance of accounting records and audited financial statements.

s. **Continuation and Discontinuation of Companies**

(i) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister will be required if the Company's Memorandum of Continuance includes special objects enabling it to carry on any "restricted business activity" within the definition of section 4A of the Companies Act; and

(ii) An exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be discontinued under the Companies Act, provided that, inter alia, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by the Company for the purpose of the discontinuance of the Company out of Bermuda.

t. **Winding-Up and Liquidation Provisions of Bermuda Legislation**

(i) ***Introduction:***

The winding-up of Bermuda companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the "Rules") and may be divided into the following two types:

(aa) Voluntary winding-up which commences with the shareholders' resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a shareholders' voluntary winding-up and a creditors' voluntary winding-up; and

(bb) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

(ii) ***Voluntary Winding-Up:***

(aa) Shareholders' Voluntary Winding-up — A shareholders' voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company's directors and filed with the Registrar.

A general meeting of shareholders is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the shareholders) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company's shareholders at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held. Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

(bb) Creditors' Voluntary Winding-up — A creditors' voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the shareholders of the company that the company be placed into a creditors' voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company's shareholders and, subsequently, at a meeting of the company's creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and shareholders are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's shareholders in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(iii) ***Compulsory Winding-Up:***

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any shareholders or shareholders of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:

(aa) that the company has by resolution resolved that it be wound-up by the Bermuda court;

(bb) that the company is unable to pay its debts;

(cc) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver - a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and shareholders in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the shareholders of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.