

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 114 to 117.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2009 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 41 and 42 respectively.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity and Note 30 to the Financial Statements on pages 46 and 92 respectively.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 30 September 2009. The Directors have now recommended for adoption at the Annual General Meeting to be held on Thursday, 10 June 2010 the payment on 18 June 2010 to Shareholders on record as at 10 June 2010 of a final dividend of 10.0 cents per share in respect of the financial year ended 31 December 2009. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 11 to the Financial Statements on page 63.

DONATIONS

The Group made donations during the financial year totalling HK\$8 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs P K C Woo, G W J Li (who will retire and cease to be a director effective 1 April 2010), S T H Ng, P Y C Tsui, A S K Au, B M Chang and K W S Ting.

Mr S T H Ng is due to retire by rotation from the Board at the forthcoming Annual General Meeting in accordance with Article 103(A) of the Company's Articles of Association. Being eligible, he offers himself for re-election. Mr Ng does not have a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Report of the Directors

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception of the options to subscribe for ordinary shares of i-CABLE Communications Limited ("i-CABLE") granted under i-CABLE's Share Option Scheme (the "Scheme") to, *inter alia*, certain executives/employees of i-CABLE or its subsidiaries, one of whom was a Director of the Company during the financial year.

Under the rules of the Scheme (subject to any such restrictions or alterations as may be prescribed or provided under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") from time to time in force), shares of i-CABLE would be issued at such prices, not being less than 80% of i-CABLE's average closing prices on the Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant, as determined by the board of directors of i-CABLE. During the financial year, no share of i-CABLE was issued to any Director of the Company under the Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, 23 March 2010

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.**(i) Directors****Peter K C WOO**, *GBS, JP, Chairman (Age: 63)*

Mr Woo has resumed the role of Chairman of the Company since 2002 after having also served in that capacity from 1986 to 1996. He also serves as a member and the chairman of the Company's Remuneration Committee. He is also the chairman of The Wharf (Holdings) Limited ("Wharf"), Wheelock Properties Limited ("WPL"), and Wheelock Properties (Singapore) Limited ("WPSL") in Singapore, all being publicly-listed subsidiaries of the Company, and is a director of certain other subsidiaries of the Company. He has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments.

Mr Woo serves as a member of the Standing Committee of the Eleventh National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has been appointed a non-official member of the Commission on Strategic Development since June 2007. He had served as the chairman of Hospital Authority from 1995 to 2000, the council chairman of Hong Kong Polytechnic University from 1993 to 1997 and the Government-appointed chairman of the Hong Kong Trade Development Council from 2000 to 2007. He was the chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government. He also served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, and as a member of the International Advisory Council of JPMorgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric of America. He has received Honorary Doctorates from various universities in Australia, Hong Kong and the United States. Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2010, calculated on annualised basis, would be approximately HK\$15.90 million per annum (2009: HK\$15.06 million).

Stephen T H NG, *Deputy Chairman (Age: 57)*

Mr Ng has been a Director of the Company since 1988 and became the Deputy Chairman in 1995. He is also the deputy chairman and managing director of Wharf, the chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") as well as the chairman of Harbour Centre Development Limited ("HCDL"), all being publicly-listed subsidiaries of the Company. Furthermore, he is the chairman of Modern Terminals Limited, the chairman and chief executive officer of Wharf T&T Limited, both of them being subsidiaries of the Company, and a director of certain other subsidiaries of the Company. He is also the chairman of publicly-listed Joyce Boutique Holdings Limited ("Joyce"). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2010, calculated on annualised basis, would be approximately HK\$4.70 million per annum (2009: HK\$4.46 million).

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 63)*

Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, has been a Director of the Company since 1998. He became Executive Director of the Company in 2003 and is currently also the Group Chief Financial Officer. He is also an executive director and the group chief financial officer of Wharf as well as a director of HCDL, i-CABLE, WPL and WPSL, and a director of certain other subsidiaries of the Company. Furthermore, he is a director of Joyce. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2010, calculated on annualised basis, would be approximately HK\$2.97 million per annum (2009: HK\$2.60 million).

Report of the Directors

Alexander S K AU, OBE, Director (Age: 63)

Mr Au, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB, has been an Independent Non-executive Director of the Company since 2002. He also serves as a member and the chairman of the Company's Audit Committee and also a member of the Company's Remuneration Committee.

A banker by profession, Mr Au was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. Currently, he is an executive director and the chief financial officer of Henderson Land Development Company Limited and a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. An accountant by training, Mr Au is a Chartered Accountant as well as a fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

B M CHANG, Director (Age: 81)

Mr Chang has been a Director of the Company since 1969. He, being an Independent Non-executive Director, also serves as a member of the Company's Audit Committee.

Kenneth W S TING, SBS, JP, Director (Age: 67)

Mr Ting has been an Independent Non-executive Director of the Company since 2003. He also serves as a member of the Company's Audit Committee and Remuneration Committee. Mr Ting is also the managing director and chief executive officer of publicly-listed Kader Holdings Company Limited as well as the chairman of Kader Industrial Company Limited, a non-executive director of publicly-listed New Island Printing Holdings Limited. Mr Ting currently serves as the chairman of the Hong Kong Ethics Development Advisory Committee, ICAC, the president of HK Wuxi Trade Association Limited, and also the honorary president of the Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong, the Toys Manufacturers' Association of Hong Kong Limited and Hong Kong Plastics Manufacturers' Association Limited. He was formerly an independent non-executive director of publicly-listed Times Limited from June 2007 to January 2010.

Mr Ting is also a member of the Hong Kong General Chamber of Commerce, the Hong Kong Polytechnic University Court and The Hong Kong University of Science and Technology Court. Furthermore, he is a member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference.

Note: The Company confirms that it has received written confirmation from each of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Listing Rules, and considers them independent.

(ii) Senior Management

Various businesses of the Group are respectively under the direct responsibility of the Chairman and the Executive Director & Group Chief Financial Officer of the Company as named under (A)(i) above, who are regarded as senior management of the Group.

*Report of the Directors***(B) DIRECTORS' INTERESTS IN SHARES**

At 31 December 2009, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, and of three subsidiaries of the Company, namely, Wharf, i-CABLE and WPL, and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
The Company		
P K C Woo	1,204,934,330 (59.3023%)	Personal Interest in 8,847,510 shares, Corporate Interest in 200,865,142 shares and Other Interest in 995,221,678 shares
G W J Li	1,486,491 (0.0732%)	Personal Interest
S T H Ng	300,000 (0.0148%)	Personal Interest
B M Chang	8,629,575 (0.4247%)	Corporate Interest
Wharf		
G W J Li	772,367 (0.0280%)	Personal Interest
S T H Ng	731,314 (0.0266%)	Personal Interest
K W S Ting	194,000 (0.0070%)	Personal Interest
i-CABLE		
G W J Li	68,655 (0.0034%)	Personal Interest
S T H Ng	1,265,005 (0.0629%)	Personal Interest
WPL		
G W J Li	2,900 (0.0001%)	Personal Interest

Notes:

- (1) The 995,221,678 shares of the Company stated above as "Other Interest" against the name of Mr P K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the Securities and Futures Ordinance (the "SFO") which are applicable to a director or chief executive of a listed company, to be interested.
- (2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.
- (3) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr P K C Woo totalling 209,712,652 shares of the Company represented the same block of shares as that of the shareholding interest of Mrs Bessie P Y Woo stated under "section (C) Substantial Shareholders' Interests" below.
- (4) The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated under "section (C) Substantial Shareholders' Interests" below.

Report of the Directors

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held during the financial year by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any exercises during the financial year of any rights to subscribe for any shares, underlying shares or debentures of the Company.

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 December 2009, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (percentage of issued capital)
(i) Third Avenue Management LLC	141,779,000 (6.98%)
(ii) Mrs Bessie P Y Woo	209,712,652 (10.32%)
(iii) HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)

Note: Duplication occurred in respect of the shareholding interests under (ii) and (iii) above, as set out in Notes (3) and (4) under "section (B) Directors' Interests in Shares" above.

All the interests stated above represented long positions and as at 31 December 2009, there were no short position interests recorded in the Register.

(D) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2009:

- (i) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and
- (ii) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(E) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2009 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 24 to the Financial Statements on page 80.

Report of the Directors

(F) INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 6 to the Financial Statements on page 59.

(G) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2009.

(H) DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company dated 21 November 2008, 17 September 2009 and 3 November 2009 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) Master Tenancy Agreement

Various tenancy agreements (the "Existing Tenancy Agreements") were previously entered into between certain subsidiaries of Wharf (which is a listed subsidiary of the Company) as landlords and certain subsidiaries and associates of Chesterland Group Limited (formerly known as The Lane Crawford Joyce Group (BVI) Limited) ("CGL") as tenants, for the purpose of the letting by the landlords to the tenants certain retail/commercial premises situate at Harbour City and/or Times Square for operating Lane Crawford stores, City Super stores, Ferragamo shop and Joyce Boutique shop.

On 21 November 2008, a master tenancy agreement (the "MTA") was entered into between Wharf and CGL for a term of three years from 1 January 2009 to 31 December 2011 to, among other things, provide for the maximum aggregate annual cap amount that will be payable by the tenants to the landlords under the Existing Tenancy Agreements and all further individual tenancy agreements from time to time during the three-year term of the MTA to be separately entered into between members of Wharf and subsidiaries and/or associates of CGL in respect of the leasing of premises by the former to the latter.

CGL is indirectly wholly-owned by a trust of which Mr P K C Woo, the Chairman of the Company, is the settler. Consequently, the entering into of the MTA and the relevant transactions regulated thereunder (the "MTA Transactions") constitute continuing connected transactions for the Company.

The aggregate amount of rental receivable by the Wharf group for the MTA is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 21 November 2008 and the aggregate amount of rental receivable by Wharf group for the financial year ended 31 December 2009 was HK\$301 million.

Report of the Directors

(ii) Tianjin Land Joint Venture by Wharf group

On 17 September 2009, Wharf group together with China Merchants Property Development Co., Ltd. ("CMP") group succeeded in bidding for a piece of land in Tianjin with a site area of approximately 511,558 square feet (the "Tianjin Land") at a price of RMB641 million (equal to about HK\$728 million) (the "Tianjin Land Transaction"). Wharf group and CMP group will jointly develop the Tianjin Land, on a 50:50 ownership basis, into residential and commercial properties.

As CMP is a 54.1%-owned subsidiary of China Merchants Group Limited which in turn is an indirect substantial shareholder of a non-wholly owned subsidiary of the Company, CMP is regarded as a connected person of the Company. Therefore, the entering into of the Tianjin Land Transaction together with the joint development of the Tianjin Land constitute connected transactions for the Company under the Listing Rules.

(iii) Chongqing Land Joint Venture by Wharf group

On 29 October 2009, Wharf group together with China Overseas Land & Investment Ltd. ("COLI") group succeeded in bidding for two pieces of land in Chongqing with a total site area of approximately 2.85 million square feet (the "Chongqing Land") at a price of RMB4,100 million (equal to about HK\$4,654 million) (the "Chongqing Land Transaction"). Wharf group and COLI group will jointly develop the Chongqing Land, on a 50:50 ownership basis, into residential and office/commercial properties.

As COLI is a substantial shareholder of a non-wholly owned subsidiary of the Company, COLI is regarded as a connected person of the Company. Therefore, the entering into of the Chongqing Land Transaction together with the joint development of the Chongqing Land constitute connected transactions for the Company under the Listing Rules.

The purpose of the two transactions set out under (H)(ii) and (H)(iii) above is for broadening the assets and earnings base of the Group.

- (iv) With regard to the Related Party Transactions as disclosed under Note 33 to the Financial Statements on page 94, the transaction stated under paragraph (a) therein constitutes connected transaction (as defined under the Listing Rules) of the Company and the one under paragraph (b) does not constitute a connected transaction for the Company.

Report of the Directors

(v) Confirmation from Directors etc.

The Directors, including the independent Non-executive Directors, of the Company have reviewed the MTA Transactions mentioned under Section H(i) above and confirmed that the MTA Transactions were entered into:

- (a) by the Group in the ordinary and usual course of its business;
- (b) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and
- (c) in accordance with the relevant agreements governing such MTA Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Furthermore, the auditors of the Company have advised the following:

- (1) the MTA Transactions had been approved by the Company's Board of Directors;
- (2) nothing came to the attention of the auditors of the Company that caused them to believe that the MTA Transactions was not entered into in accordance with the terms of the related agreements governing the MTA Transactions; and
- (3) the relevant cap amounts, where applicable, have not been exceeded during the financial year ended 31 December 2009.