

# Report of the Directors

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The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2008.

## **PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 121 to 124.

## **RESULTS, APPROPRIATIONS AND RESERVES**

The results of the Group for the financial year ended 31 December 2008 are set out in the Consolidated Profit and Loss Account on page 45.

Appropriations of profits and movements in reserves during the financial year are set out in Note 31 to the Financial Statements on pages 95 to 97.

## **DIVIDENDS**

An interim dividend of 2.5 cents per share was paid on 30 September 2008. The Directors have now recommended for adoption at the Annual General Meeting to be held on Monday, 8 June 2009 the payment on 11 June 2009 to Shareholders on record as at 8 June 2009 of a final dividend of 10.0 cents per share in respect of the financial year ended 31 December 2008. This recommendation has been disclosed in the Financial Statements.

## **FIXED ASSETS**

Movements in fixed assets during the financial year are set out in Note 12 to the Financial Statements on page 66.

## **DONATIONS**

The Group made donations during the financial year totalling HK\$14 million.

## DIRECTORS

The Directors of the Company during the financial year were Messrs P K C Woo, G W J Li, S T H Ng, P Y C Tsui, A S K Au, B M Chang and K W S Ting.

Messrs P K C Woo, P Y C Tsui, A S K Au and K W S Ting are due to retire from the Board at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 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") of 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, 25 March 2009

## SUPPLEMENTARY CORPORATE INFORMATION

### (A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

#### (I) Directors

**Peter K C WOO**, *GBS, JP, Chairman (Age: 62)*

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. He is also 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.

**Gonzaga W J LI**, *Senior Deputy Chairman (Age: 79)*

Mr Li has been a Director of the Company since 1969 and became Chairman in 1996. He relinquished the title of Chairman in 2002 and has since assumed the title of Senior Deputy Chairman of the Company. He is also the senior deputy chairman of Wharf and the chairman of Harbour Centre Development Limited ("HCDL") as well as a director of WPL, all being publicly-listed subsidiaries of the Company. He is also the chief executive officer and a director of Wharf China Limited, and a director of certain other subsidiaries of the Company. Mr Li was formerly a director of publicly-listed Joyce Boutique Holdings Limited ("Joyce") from 2000 to 2008.

**Stephen T H NG**, *Deputy Chairman (Age: 56)*

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 and the chairman and chief executive officer of i-CABLE Communications Limited (“i-CABLE”), which is a publicly-listed subsidiary of the Company. He is also the chairman of Modern Terminals Limited, the chairman and chief executive officer of Wharf T&T Limited, and the chairman of Joyce. He is also a director of certain other subsidiaries of the Company.

**Paul Y C TSUI**, *Executive Director & Group Chief Financial Officer (Age: 62)*

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 WPL, WPSL, Joyce and certain other subsidiaries of the Company.

**Alexander S K AU**, *OBE, Director (Age: 62)*

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. He is also a member of the Council of the Hong Kong University of Science and Technology.

**B M CHANG**, *Director (Age: 80)*

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: 66)

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 and an independent non-executive director of publicly-listed Times Ltd. Mr Ting currently serves as the chairman of the Hong Kong Ethics Development Advisory Committee, ICAC, the non-executive director of the Mandatory Provident Fund Schemes Authority, the president of the Hong Kong Plastics Manufacturers' Association Limited and HK Wuxi Trade Association Limited, and also the honorary president of the Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong and the Toys Manufacturers' Association of Hong Kong Limited.

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 and the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference (Yue Xiu District).

*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 Managers**

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.

## (B) DIRECTORS' INTERESTS IN SHARES

At 31 December 2008, 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
<b>The Company</b>		
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
<b>Wharf</b>		
G W J Li	772,367 (0.0280%)	Personal Interest
S T H Ng	731,314 (0.0266%)	Personal Interest
K W S Ting	152,000 (0.0055%)	Personal Interest
<b>i-CABLE</b>		
G W J Li	68,655 (0.0034%)	Personal Interest
S T H Ng	1,065,005 (0.0529%)	Personal Interest
<b>WPL</b>		
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.

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 2008, 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	142,416,000 (7.01%)
(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 2008, there were no short position interests recorded in the Register.

### (D) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2008:

- (a) 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
- (b) 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 2008 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 25 to the Financial Statements on page 83.

## **(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 61.

## **(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 2008.

## **(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 an announcement of the Company dated 21 August 2007 and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

### **(a) Tenancy Agreements with City Super Limited**

During the financial year under review, there existed certain tenancy arrangements (the "City Super Transactions") respectively made by two wholly-owned subsidiaries of Wharf as the landlords with City Super Limited ("City Super") as the tenant. The City Super Transactions are for the purpose of earning rental revenue for the Wharf group. The amount of rent received by the Wharf group for the year ended 31 December 2008 and certain particulars are as follows:

<b>Location of the City Super store premises</b>	<b>HK\$ Million</b>
1. B101-B109, Basement 1, Times Square, Causeway Bay, Hong Kong	35.93
2. Shops 3001-3002, and 3103-3104, Level 3, Gateway Arcade, Harbour City, Kowloon, Hong Kong	32.61

The City Super Transactions are regarded as continuing connected transactions for the Company under the Listing Rules by reason of the fact that City Super is 39.08% effectively owned by The Lane Crawford Joyce Group (BVI) Limited which in turn is indirectly wholly-owned by a trust (the "Trust") the settlor of which is the Chairman of the Company.

The rentals receivable by Wharf group from the City Super Transactions are subject to annual cap amounts previously disclosed in the abovementioned announcement dated 21 August 2007.

**(b) Tenancy Agreement with Ferragamo Retail HK Limited**

During the financial year under review, there also existed a tenancy agreement between a wholly-owned subsidiary of Wharf as the landlord and Ferragamo Retail HK Limited ("Ferragamo") as the tenant. This tenancy transaction (the "Ferragamo Transaction") is for the purpose of earning rental revenue for the Wharf group. The amount of rent received by the Wharf group for the year ended 31 December 2008 and certain particulars are as follows:

Location of the Ferragamo shop	HK\$ Million
Portions of Ground Floor and Level 1, Ocean Centre, Harbour City, Kowloon, Hong Kong	18.24

The Ferragamo Transaction is regarded as a continuing connected transaction for the Company under the Listing Rules by reason of the fact that Ferragamo is indirectly 40%-owned by the Trust.

The rental receivable by the Wharf group from the Ferragamo Transaction is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 21 August 2007.

- (c)** With regard to the Related Party Transactions as disclosed under Note 34 to the Financial Statements on page 99, the transaction stated under paragraph (b) therein does not constitute a connected transaction for the Company under the Listing Rules.

**(d) Confirmation from Directors etc.**

The Directors, including the independent Non-executive Directors, of the Company have reviewed the City Super Transactions and the Ferragamo Transaction (collectively, the "Transactions") mentioned under Sections H(a) and H(b) above and confirmed that the 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 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 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 Transactions were not entered into in accordance with the terms of the related agreements governing the Transactions; or, where there was no agreement, on terms no less favourable than those for similar transactions undertaken by the Group with independent third parties where available; and
- (3) the relevant cap amounts have not been exceeded during the financial year ended 31 December 2008.