

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 116 to 118.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2010 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 29 to the Financial Statements on pages 46 and 90 respectively.

DIVIDENDS

An interim dividend of 2.5 cents per share was paid on 30 September 2010. The Directors have recommended for adoption at the Annual General Meeting to be held on Thursday, 9 June 2011 the payment on 16 June 2011 to Shareholders on record as at 9 June 2011 of a final dividend of 10.0 cents per share in respect of the financial year ended 31 December 2010. This recommendation has been disclosed in the Financial Statements.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 10 to the Financial Statements on page 61.

DONATIONS

The Group made donations during the financial year totalling HK\$32 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs Peter K C Woo, Gonzaga W J Li (retired on 1 April 2010), Stephen T H Ng, Paul Y C Tsui, Alexander S K Au, B M Chang, Herald L F Lau (appointed on 1 September 2010), Kenneth W S Ting, Ricky K Y Wong (appointed on 1 September 2010) and Glenn S Yee (appointed on 1 September 2010).

Messrs Herald L F Lau, Ricky K Y Wong and Glenn S Yee, being appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Mr B M Chang is also due to retire from the Board by rotation in accordance with Article 103(A), 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.

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 2011

SUPPLEMENTARY CORPORATE INFORMATION

A. BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

(i) Directors

Peter K C WOO, *GBS, JP, Chairman (Age: 64)*

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 two publicly-listed subsidiaries of the Company, namely, The Wharf (Holdings) Limited ("Wharf") and Wheelock Properties (Singapore) Limited ("WPSL"). Furthermore, he is the chairman of Wheelock Properties Limited ("WPL", formerly a publicly-listed company until it became a wholly-owned subsidiary of the Company in July 2010) as well as 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 2011, calculated on annualised basis, would be approximately HK\$16.45 million (2010: HK\$15.90 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 58)*

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. Mr Ng 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 2011, calculated on annualised basis, would be approximately HK\$4.77 million (2010: HK\$4.70 million) per annum.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 64)*

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 and WPSL, all being publicly-listed subsidiaries of the Company, and a director of certain other subsidiaries of the Company. Furthermore, he is the vice chairman of WPL as well as a director of publicly-listed Joyce. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2011, calculated on annualised basis, would be approximately HK\$3.08 million (2010: HK\$2.97 million) per annum.

Alexander S K AU, *OBE, Director (Age: 64)*

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, all of which are listed public companies. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is also a member of the Court of the Hong Kong University of Science and Technology. 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: 82)*

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.

Herald L F LAU, *Director (Age: 70)*

Mr Lau, *FCA, FCPA*, has been an Independent Non-executive Director of the Company since September 2010. Mr Lau has been practicing as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was formerly a partner of a professional accountants firm PricewaterhouseCoopers, Hong Kong until his retirement from the firm in June 2001. He is also an independent non-executive director of publicly-listed Kerry Properties Limited. Mr Lau was formerly an independent non-executive director of two other publicly-listed companies, namely, Fairwood Holdings Limited (from August 1991 to August 2009) and China World Trade Center Company Ltd. (Beijing) (from December 2004 to December 2010), and was also a former independent non-executive director of WPL from September 2004 to July 2010.

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 chairman of publicly-listed Kader Holdings Company Limited and of Kader Industrial Company Limited. Mr Ting currently serves as 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 a non-executive director of publicly-listed New Island Printing Holdings Limited from September 2004 to October 2010 and formerly an independent non-executive director of Times Ltd from June 2007 to January 2010.

Mr Ting also serves as a member of a number of other trade organizations and public committees such as 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.

Ricky K Y WONG, *Director (Age: 46)*

Mr Wong has been a Director of the Company since September 2010. He is currently the managing director of WPL and Wheelock Properties (Hong Kong) Limited, both being wholly-owned subsidiaries of the Company, as well as a director of certain other subsidiaries of the Company, and is presently responsible for overseeing the property development and related business of the Group in Hong Kong. Mr Wong also serves as a member of the Real Estate and Infrastructure Committee of The Hong Kong General Chamber of Commerce and a member of the Legal Sub-committee of The Real Estate Developers Association of Hong Kong. In addition, he has been a part-time member of the Central Policy Unit – The Government of the Hong Kong Special Administrative Region since January 2009. Mr Wong graduated from University of Wisconsin in the United States with a Master Degree in Business Administration. Under the existing service contract between the Group and Mr Wong, his basic salary and various allowance for the year 2011, calculated on annualised basis, would be approximately HK\$2.79 million (2010: HK\$2.43 million) per annum.

Glenn S YEE, *Director (Age: 60)*

Mr Yee has been an Independent Non-executive Director of the Company since September 2010. He is a founding executive and managing director of Pacific Can group of companies, which is one of the leading beverage can manufacturers in China. Mr Yee obtained his Master of Business Administration Degree from Columbia University in the United States. He started his career in General Electric Company in New York and later on joined Continental Can Company ("CCC") in Stamford, Connecticut. In 1979, Mr Yee was transferred to Hong Kong office of CCC and was subsequently promoted to be the managing director of Continental Can Hong Kong Ltd. in 1988. He resigned from this company in 1991 to start his family business, namely, Pacific Can. He was formerly an independent non-executive director of WPL from May 2003 to July 2010.

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 Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited, 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 2010, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, and of two subsidiaries of the Company, namely, Wharf and i-CABLE, and the percentages which the relevant shares represented to the issued share capitals of the three companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
The Company		
Peter 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
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
B M Chang	8,629,575 (0.4247%)	Corporate Interest
Wharf		
Stephen T H Ng	731,314 (0.0266%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest

Notes:

- (1) The 995,221,678 shares of the Company stated above as "Other Interest" against the name of Mr Peter 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 Peter 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.
- (5) Subsequent to the financial year end, Mr Stephen T H Ng fully subscribed for his pro rata rights entitlements under a recent 1-for-10 rights issue by Wharf and he was accordingly allotted 73,131 shares of Wharf on 18 March 2011. Consequently, Mr Ng was interested in 804,445 shares of Wharf following such allotment.

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 as at 31 December 2010 by any 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 rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time during the financial year.

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 2010, 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 2010, there were no short position interests recorded in the Register.

D. MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2010:

- (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 2010 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 77.

F. INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 5 to the Financial Statements on page 57.

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 2010.

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 and 2 February 2010 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, associates and/or affiliates 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 owned by Wharf group for operating various retail businesses, including Lane Crawford stores and City Super stores.

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 Peter K C Woo, the Chairman of the Company, is the settlor. Consequently, the entering into of the MTA and the relevant transactions regulated thereunder (the "MTA Transactions") constitute continuing connected transactions for the Company under the Listing Rules.

The aggregate amount of rental receivable by Wharf group under the MTA is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 21 November 2008 and the aggregate amount of rent received by Wharf group for the financial year ended 31 December 2010 was HK\$343 million.

(ii) Tianjin Land Joint Venture by Wharf group

On 1 February 2010, Wharf group together with China Overseas Land & Investment Ltd. ("COLI") group succeeded in bidding for a piece of land in Tianjin with a site area of approximately 1.62 million square feet (the "Tianjin Land") at a total price of RMB2,700 million (equal to about HK\$3,072 million) (the "Tianjin Land Transaction"). Wharf group and COLI group will jointly develop the Tianjin Land, on a 50:50 ownership basis, into residential and commercial properties. The acquisition of the Tianjin Land is for broadening the assets and earnings base of the Group.

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 Tianjin Land Transaction together with the joint development of the Tianjin Land constitute connected transactions for the Company under the Listing Rules.

(iii) With regard to the Related Party Transactions as disclosed under Note 33 to the Financial Statements on page 93, 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.

(iv) 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 were 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 2010.