

# 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 144 to 147.

## 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 78 and 79.

Appropriations of profits and movements in reserves during the financial year are set out in the Consolidated Statement of Changes in Equity on page 83 and Note 29 to the Financial Statements on page 122.

## DIVIDENDS

An interim dividend of 36 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 Tuesday, 8 June 2010 the payment on 15 June 2010 to Shareholders on record as at 8 June 2010 of a final dividend of 64 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 pages 97 to 99.

## DONATIONS

The Group made donations during the financial year totalling HK\$4.6 million.

## DIRECTORS

The Directors of the Company during the financial year were Mr P K C Woo, Mr G W J Li (who will retire and cease to be a director effective 1 April 2010), Mr S T H Ng, Ms D Y F Lee, Mr T Y Ng (re-designated as Executive Director on 8 June 2009), Mr P Y C Tsui, Hon P M P Chan, Professor E K Y Chen, Dr R K F Ch'ien, Hon V K Fang, Mr Hans Michael Jebsen and Mr J E Thompson.

Professor E K Y Chen, Dr R K F Ch'ien and Mr T Y Ng 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, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company 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.

# Report of the Directors

## 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, its subsidiaries or its ultimate holding company or any subsidiary of such ultimate holding company 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 that there existed certain outstanding options to subscribe for ordinary shares of i-CABLE Communications Limited (“i-CABLE”) granted under i-CABLE’s Share Option Scheme (the “Scheme”) to 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, 23 March 2010

## SUPPLEMENTARY CORPORATE INFORMATION

### (A) Biographical Details of Directors and Senior Managers etc.

#### (i) Directors

##### **Peter Kwong Ching 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 1994. He also serves as a member and the chairman of the Company's Remuneration Committee. He is also the chairman and a substantial shareholder of the Company's ultimate holding company, namely, Wheelock and Company Limited ("Wheelock"), and chairman of a fellow subsidiary of the Company, namely, Wheelock Properties Limited ("WPL"), both publicly listed in Hong Kong. Furthermore, he is the chairman of another fellow subsidiary of the Company, namely, Wheelock Properties (Singapore) Limited ("WPSL"), which is publicly listed in Singapore. He is also a director of certain 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, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on annualised basis, would be approximately HK\$11.10 million per annum (2009: HK\$10.49 million).

##### **Stephen Tin Hoi Ng**, Deputy Chairman & Managing Director (Age: 57)

Mr Ng joined the Company in 1981. He has been the Managing Director of the Company since 1989 and became the Deputy Chairman in 1994. He is also the deputy chairman of Wheelock as well as the chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") and the chairman of Harbour Centre Development Limited ("HCDL"), both being publicly-listed subsidiaries of the Company. Furthermore, Mr Ng is the chairman of Modern Terminals Limited (a subsidiary of the Company), the chairman and chief executive officer of Wharf T&T Limited (a wholly-owned subsidiary 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 2010, calculated on annualised basis, would be approximately HK\$4.70 million per annum (2009: HK\$4.46 million).

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**Doreen Yuk Fong Lee**, *Executive Director* (Age: 53)

Ms Lee joined the Company in 1984. She has been a Director of the Company since 2003 and became an Executive Director in March 2007. She is also the senior managing director of Wharf China Estates Limited, and the managing director of Harbour City Estates Limited, Times Square Limited and Wharf Estates Limited, all being wholly-owned subsidiaries of the Company, as well as a director of certain other subsidiaries of the Company. Ms Lee is responsible for overseeing all of the Group's investment properties in Hong Kong and the Mainland China, particularly, two core properties of the Group in Hong Kong, namely, Harbour City and Times Square, and also the Group's Times Square developments in Shanghai, Chongqing, Wuhan and Dalian. Ms Lee is also a director of Joyce. She is a graduate of The University of Hong Kong where she obtained her bachelor's degree in Arts (Hon). Under the existing service contract between the Group and Ms Lee, her basic salary and various allowances for the year 2010, calculated on annualised basis, would be approximately HK\$3.75 million per annum (2009: HK\$3.57 million).

**Tze Yuen Ng**, *Executive Director* (Age: 62)

Mr Ng, *ACPA, ACMA*, joined the Company in 1985 and has been a Director of the Company since 1998. He was re-designated as an Executive Director in June 2009. He is also a director of HCDL, the senior managing director of Wharf China Development Limited, and a director of certain other subsidiaries of the Company. Furthermore, Mr Ng is a director of WPL, and was formerly a director of Joyce from 2000 to 2008. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2010, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on annualised basis, would be approximately HK\$2.91 million per annum (2009: HK\$2.85 million).

**Paul Yiu Cheung Tsui**, *Executive Director and Group Chief Financial Officer* (Age: 63)

Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, is an Executive Director & Group Chief Financial Officer of both Wheelock and the Company. He joined Wheelock/Wharf group in 1996 and became Wheelock's director in 1998. He is also a director of HCDL and i-CABLE, and a director of certain other subsidiaries of the Company. Furthermore, Mr Tsui is a director of two fellow subsidiaries of the Company, namely, WPL and WPSL, as well as 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, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on annualised basis, would be approximately HK\$2.23 million per annum (2009: HK\$1.95 million).

**Hon Paul Mo Po Chan**, *JP, Director* (Age: 55)

Mr Chan, *FCPA, FCCA, FCPA (Australia), FCIS, FCS, FTIHK*, has been an independent Non-executive Director of the Company since September 2004. He also serves as a member of the Company's Audit Committee. He is the chairman of Crowe Horwath (HK) CPA Ltd. He is also an independent non-executive director of three other companies publicly listed in Hong Kong, namely, Kingmaker Footwear Holdings Limited, Hong Kong Economic Times Holdings Limited and China Communications Services Corporation Limited. He has been appointed the chairman of the Legal Aid Services Council since September 2006. Mr Chan was formerly an independent non-executive director of I.T Limited from 2004 to 2007 and of China Resources Land Limited from 2006 to 2009, both being publicly-listed companies.

Mr Chan is a graduate of The Chinese University of Hong Kong where he obtained both his bachelor's and master's degrees in Business Administration.

Mr Chan has over 30 years' experience in accounting and finance field and is a former president of the Hong Kong Institute of Certified Public Accountants. He is also a former chairman of The Association of Chartered Certified Accountants – Hong Kong. In 2007, he was appointed a Justice of the Peace. In 2008, he was appointed a member of Shanghai City's Chinese People's Political Consultative Conference. Mr Chan was elected in September 2008 as a member of Legislative Council representing the Accountancy Functional Constituency.

**Edward Kwan Yiu Chen, GBS, CBE, JP, Director (Age: 65)**

Professor Chen has been an independent Non-executive Director of the Company since 2002. He was the president of Lingnan University in Hong Kong from September 1995 to August 2007. He is an honorary professor of the Open University of Hong Kong and a distinguished fellow of the Centre of Asian Studies at The University of Hong Kong. He was a member of the Legislative Council of Hong Kong from 1991 to 1992, and a member of the Executive Council of Hong Kong from 1992 to 1997. He was also a member of the Hong Kong SAR Basic Law Consultative Committee from 1985 to 1990. He is a director of two companies publicly listed in Hong Kong, namely, First Pacific Company Limited and Asia Satellite Telecommunications Holdings Limited.

Professor Chen was educated at The University of Hong Kong (Bachelor of Arts and Master of Social Science) and Oxford University (Doctor of Philosophy). He was appointed a Justice of the Peace in 1993 and awarded a CBE in 1995. In 2003, he was awarded the Gold Bauhinia Star Medal by the Hong Kong SAR Government.

**Raymond Kuo Fung Ch'ien, GBS, CBE, JP, Director (Age: 58)**

Dr Ch'ien has been an independent Non-executive Director of the Company since 2002. He is chairman of CDC Corporation as well as the chairman and a director respectively of its subsidiaries China.com Inc., publicly listed in Hong Kong, and CDC Software Corporation. Dr Ch'ien is also the chairman of two companies publicly listed in Hong Kong, namely, MTR Corporation Limited and Hang Seng Bank Limited. Dr Ch'ien also serves on the boards of The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Mercantile Exchange Limited, Swiss Reinsurance Company Ltd and publicly-listed Convenience Retail Asia Limited. He was formerly an independent non-executive director of publicly-listed VTech Holdings Limited from 2001 to 2008.

In public service, Dr Ch'ien is the chairman of the Hong Kong/European Union Business Cooperation Committee and a member of the Standing Committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Dr. Ch'ien is an honorary president and past chairman of the Federation of Hong Kong Industries. From 1992 to 1997, Dr Ch'ien was a member of the Executive Council of Hong Kong, then under British administration. He was appointed a member of the Executive Council of the Hong Kong SAR on 1 July 1997 and served until June 2002.

Dr Ch'ien received a doctoral degree in Economics from the University of Pennsylvania in 1978 and became a Trustee of the University in 2006. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star Medal by the Hong Kong SAR Government. In 2008, he was conferred the honour of Chevalier de l'Ordre du Merite Agricole of France.

**Hon Vincent Kang Fang, SBS, JP, Director (Age: 66)**

Mr Fang has been an independent Non-executive Director of the Company since 1993. He also serves as a member and chairman of the Company's Audit Committee. He is the chief executive officer of Toppo Company (Hong Kong) Limited and managing director of Fantastic Garments Limited.

Mr Fang currently serves as a member of Legislative Council representing Wholesale and Retail in Functional Constituency. He is a member of the Hospital Authority and Hong Kong Tourism Board. He is also a member of the Operations Review Committee of the Independent Commission Against Corruption ("ICAC") and a board member of the Airport Authority. He is the chairman of Hospital Governing Committee of Princess Margaret Hospital and Kwai Chung Hospital and the Quality Tourism Services Association. He is an honorary advisor of Hong Kong Retail Management Association and a director of The Federation of Hong Kong Garment Manufacturers.

Mr Fang is a graduate of North Carolina State University where he obtained both his bachelor's and master's degrees in Science of Textiles Engineering. Mr Fang was awarded the Silver Bauhinia Star by the Hong Kong SAR Government in 2008. He is also a Justice of the Peace.

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### **Hans Michael Jebsen**, *BBS, Director (Age: 53)*

Mr Jebsen has been an independent Non-executive Director of the Company since 2001. He also serves as a member of the Company's Audit Committee and Remuneration Committee. He is the chairman of Jebsen and Company Limited and also a non-executive director of publicly-listed Hysan Development Company Limited as well as vice chairman and a Board Member of Danfoss A/S, Denmark. He currently holds a number of public offices, namely, the vice-president and a trustee of World Wide Fund for Nature Hong Kong, the chairman of the Friend's Committee of the Asian Cultural Council Hong Kong, a Board Member of the Asian Cultural Council Board of Trustees, affiliate of the Rockefeller Brothers Fund, New York, an honorary fellow and a council member of the Hong Kong University of Science & Technology, as well as a member of the Advisory Council for the Environment, Hong Kong European Union Business Co-operation Committee of the Hong Kong Trade Development Council, Advisory Council as well as Board of Trustees of Asia Society Hong Kong Center and Advisory Board of the Hong Kong Red Cross. He is also an Honorary Citizen and Municipal Economic Advisor as well as a Committee Member of the CPPCC Jilin City, China.

After schooling in Germany and Denmark, he received a two-year banking education in Germany and the UK and studied Business Administration at the University of St. Gallen in Switzerland from 1978 to 1981.

Mr Jebsen was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. the Queen of Denmark in 2006 and was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2008.

### **James Edward Thompson**, *GBS, Director (Age: 70)*

Mr Thompson has been an independent Non-executive Director of the Company since 2001. He also serves as a member of the Company's Audit Committee and Remuneration Committee. He established his company, Crown Worldwide, in Japan in 1965. He is a member of the American Chamber of Commerce ("ACC") in Hong Kong and was appointed as the chairman of ACC in 2003. He also serves on Hong Kong – United States Business Council, the Hong Kong Japan Business Co-operation Committee, and the Hong Kong Korea Business Roundtable. Mr Thompson has lived in Hong Kong for over 30 years and has served on the Trade Development Council, the ICAC Advisory Committee as well as other government and charitable committees. He was awarded the Gold Bauhinia Star by the Hong Kong SAR Government in 2003.

#### Notes:

- (1) *Wheelock, WF Investment Partners Limited, Wheelock Corporate Services Limited, Myers Investments Limited, WPL, Star Attraction Limited and Lynchpin Limited (of which one or more of Mr P K C Woo, Mr S T H Ng, Mr P Y C Tsui and Mr T Y Ng is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").*
- (2) *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*

*Peter K C Woo, Chairman*

*Stephen T H Ng, Deputy Chairman & Managing Director*

*Doreen Y F Lee, Executive Director*

*Andrew O K Chow, Vice Chairman – Wharf China Development Limited (Age: 59)*

Mr Chow joined the Group in 2006. He is the vice chairman of Wharf China Development Limited, which is a wholly-owned subsidiary of the Company. Mr Chow has extensive experience in banking, finance, trading, investment as well as property investment in Mainland China. He is responsible for overseeing all of the Group's property development and related businesses in Mainland China. Mr Chow is also an independent non-executive director of Hong Kong Economic Times Holdings Limited, a company publicly-listed in Hong Kong. He formerly held senior executive position in Tian An China Investment Limited and Next Media Limited before he joined the Group. Mr Chow is a graduate of The University of Hong Kong where he obtained his bachelor's degree in Social Science.

*T Y Ng, Executive Director*

*Paul Y C Tsui, Executive Director & Group Chief Financial Officer*

## (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, Wheelock (which is the Company's parent company), WPL (which is a fellow subsidiary of the Company), and two subsidiaries of the Company, namely, i-CABLE and Modern Terminals, and the percentages which the relevant shares represented to the issued share capitals of the five companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
<b>The Company</b>		
Gonzaga W J Li	772,367 (0.0280%)	Personal Interest
Stephen T H Ng	731,314 (0.0266%)	Personal Interest
T Y Ng	200,268 (0.0073%)	Personal Interest
<b>Wheelock</b>		
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
Gonzaga W J Li	1,486,491 (0.0732%)	Personal Interest
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
T Y Ng	70,000 (0.0034%)	Personal Interest
<b>WPL</b>		
Gonzaga W J Li	2,900 (0.0001%)	Personal Interest
<b>i-CABLE</b>		
Gonzaga W J Li	68,655 (0.0034%)	Personal Interest
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
T Y Ng	17,801 (0.0009%)	Personal Interest
<b>Modern Terminals</b>		
Hans Michael Jebesen	3,787 (5.40%)	Corporate Interest

### Notes:

- (1) The 995,221,678 shares of Wheelock 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 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.

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.

# Report of the Directors

## (C) Substantial Shareholders' Interests

Given below are the names of all parties 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 the 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) Lynchpin Limited	193,879,157	(7.04%)
(ii) Star Attraction Limited	193,879,157	(7.04%)
(iii) Wheelock Properties Limited	193,879,157	(7.04%)
(iv) Myers Investments Limited	193,879,157	(7.04%)
(v) Wheelock Corporate Services Limited	193,879,157	(7.04%)
(vi) WF Investment Partners Limited	1,183,652,306	(42.98%)
(vii) Wheelock and Company Limited	1,377,531,463	(50.02%)
(viii) HSBC Trustee (Guernsey) Limited	1,377,531,463	(50.02%)
(ix) JPMorgan Chase & Co.	162,637,735	(5.91%)

*Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (viii) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv), (iv) in (v), (v) in (vi), (vi) in (vii) and (vii) in (viii).*

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) Directors' Interests in Competing Business

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Five Directors of the Company, namely, Mr P K C Woo, who is also the chairman and a substantial shareholder of Wheelock, and Mr S T H Ng, Ms D Y F Lee, Mr T Y Ng and Mr P Y C Tsui, being also directors of Wheelock and/or certain subsidiaries of Wheelock, are considered as having an interest in Wheelock under Rule 8.10 of the Listing Rules.

Ownership of property for letting and development of properties for sale and/or investment carried on by Wheelock and subsidiaries of Wheelock (the "Wheelock Group") constitute competing businesses of the Group.

The ownership of commercial premises for rental purposes and the development of properties for sale and/or investment purposes by the Wheelock Group are considered as competing businesses for the Group. However, the Group itself has adequate experience in property leasing and property development and is therefore capable of carrying on its property leasing and property development business independently of the Wheelock Group.

For safeguarding the interests of the Group, the independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's development of properties for sale and/or investment and property leasing businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wheelock Group.

## (E) Major Customers and 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.

## (F) 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 are set out in Note 24 to the Financial Statements on pages 111 and 112. Those which would fall due for repayment after a period of one year are particularised in Note 24 to the Financial Statements on pages 111 and 112.

Set out below is information regarding certain borrowings of the Group outstanding as at 31 December 2009, all in the form of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:

Name of Subsidiary/Borrower	Description of Debt Securities Issued	Outstanding Principal Amount
(1) Wharf Finance (BVI) Limited	HK\$ Guaranteed Floating Rate Notes due 2010	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2011	HK\$200 Million
	HK\$ Guaranteed Floating Rate Notes due 2013	HK\$300 Million
	HK\$ Guaranteed Fixed Rate Notes due 2016	HK\$250 Million
(2) Wharf Finance Limited	HK\$ Guaranteed Zero Coupon Callable Notes due 2019	HK\$320 Million
	HK\$ Guaranteed Zero Coupon Callable Notes due 2019	HK\$160 Million
	US\$ Guaranteed Fixed Rate Notes due 2017	US\$400 Million
	HK\$ Guaranteed Floating Rate Notes due 2014	HK\$200 Million
(3) Wharf Finance (No. 1) Limited	HK\$ Guaranteed Fixed Rate Notes due 2019	HK\$240 Million

## (G) Interest Capitalised

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 6 to the Financial Statements on page 94.

## (H) 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.

# Report of the Directors

## (I) 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 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 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 the Company 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 member of the Group and subsidiaries and/or associates of CGL in respect of the leasing of premises owned by the Group.

CGL is indirectly wholly-owned by a trust of which Mr P 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.

The aggregate amount of rental receivable by the 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 rental receivable by the Group for the financial year ended 31 December 2009 was HK\$300.89 million.

### (ii) *Tianjin Land Joint Venture*

On 17 September 2009, the 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”). The 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*

On 29 October 2009, the Group together with China Overseas Land & Investment Ltd. (“COLI”) group succeeded in bidding for two pieces of land in Chongqing with a 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”). The 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 transactions set out under (i)(ii) and (i)(iii) above is for broadening the assets and earnings base of the Group.

(iv) *Confirmation from the Directors etc.*

- (i) The Directors, including the independent Non-executive Directors, of the Company have reviewed the MTA Transactions mentioned under Section I(i) above and confirmed that the MTA Transactions were entered into:
- (1) by the Group in the ordinary and usual course of its business;
  - (2) 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
  - (3) in accordance with the relevant agreements governing the MTA Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.
- (ii) 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 2009.