

Corporate Governance Report

The Board of Directors of the Company (the "Board") is pleased to present the Corporate Governance Report of the Company for the eighteen months ended 31 December 2009.

A) Commitment to Corporate Governance

The Company acknowledges the importance of good corporate governance practices and procedures and regards a pre-eminent board of directors, sound internal controls and accountability to all shareholders as the core elements of its corporate governance principles. The Company endeavours to ensure that its businesses are conducted in accordance with rules and regulations, and applicable codes and standards.

B) Corporate Governance Practices

During the eighteen months ended 31 December 2009, the Company applied all those principles as set out in the Code on Corporate Governance Practices (the "Code") in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") and complied with the relevant code provisions in the Code, with the exception of one deviation as set out under the paragraphs on "Board of Directors" below. The application of the relevant principles is stated in the following paragraphs.

C) Board of Directors

a) Responsibilities of and Support for Directors

The Board has the responsibility for management of the Company, which includes formulating business strategies, and directing and supervising the Company's affairs, approving interim reports and annual reports, announcements and press releases of interim and final results, considering dividend policy, approving the issue, allotment or disposal or grant of options in respect of unissued new shares or debentures of the Company and reviewing the effectiveness of the internal control system which includes reviewing the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and their training programmes and budget. The Board makes broad policy decisions and has delegated the responsibility for detailed considerations to the standing committee of the Board (the "Standing Committee").

The day-to-day management, administration and operation of the Company are delegated to the management. The Board gives clear directions to the management as to their powers of management, and circumstances in which the management should report back.

Every Director ensures that he/she gives sufficient time and attention to the affairs of the Company. Each Director shall disclose to the Company at the time of his/her appointment the directorships held in listed companies or nature of offices held in public organizations and other significant commitment, with the identity of such listed companies or organizations. The Company also requires Directors to provide updates on such information twice a year.

All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Directors will be notified of rule amendment updates in respect of corporate governance practices so as to keep them abreast of latest rule requirements and assist them in fulfilling their responsibilities. The Non-executive Directors and Independent Non-executive Directors may take independent professional advice at the Company's expense in carrying out their functions, after making a request to the Board.

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b) Board Composition

The Board currently comprises twenty members (including alternate director), as detailed below:

Executive Directors	Non-executive Directors	Independent Non-executive Directors
Lee Shau Kee <i>(Chairman and Managing Director)</i>	Woo Po Shing	Gordon Kwong Che Keung
Lee Ka Kit <i>(Vice Chairman)</i>	Leung Hay Man	Ko Ping Keung
Colin Lam Ko Yin <i>(Vice Chairman)</i>	Angelina Lee Pui Ling	Wu King Cheong
Lee Ka Shing <i>(Vice Chairman)</i>	Lee Tat Man	
John Yip Ying Chee	Jackson Woo Ka Biu <i>(as alternate to Woo Po Shing)</i>	
Alexander Au Siu Kee		
Suen Kwok Lam		
Lee King Yue		
Fung Lee Woon King		
Eddie Lau Yum Chuen		
Li Ning		
Patrick Kwok Ping Ho		

The biographical details of the Directors are set out on pages 134 to 138 of this Annual Report. In particular, Dr. Lee Shau Kee is the father of Lee Ka Kit and Lee Ka Shing, father-in-law of Li Ning, and the brother of Lee Tat Man and Fung Lee Woon King. Sir Po-shing Woo is the father of Jackson Woo Ka Biu. Save as aforesaid, none of the members of the Board is related to one another.

The term of office of all Non-executive Directors (including Independent Non-executive Directors) has been fixed for a specific term for three years until 31 December 2010. They are subject to retirement by rotation and re-election at the Company's Annual General Meeting ("AGM") in accordance with the Articles of Association of the Company ("Articles").

During the eighteen months ended 31 December 2009, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three Independent Non-executive Directors with at least one Independent Non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The appointment of Independent Non-executive Directors strictly adheres to the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules. The Company has received in writing confirmation of their independence from each of the Independent Non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgment. The Board considers that each of the Non-executive Directors and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

The roles of the chairman and the chief executive officer of the Company have not been segregated as required by code provision A.2.1 of the Code. The Company is of the view that it is in the best interest of the Company that Dr. Lee Shau Kee, with his profound expertise in the property business, shall continue in his dual capacity as the Chairman and Managing Director.

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c) Appointment and Re-election of Directors

The Board is empowered under Articles to appoint any person as a Director to fill a casual vacancy on or as an additional member of the Board. Only the most suitable candidates who are experienced and competent and able to fulfill the fiduciary duties and duties of skill, care and diligence would be recommended to the Board for selection.

In accordance with the Articles, new appointments to the Board are subject to re-election by shareholders at the next following AGM. Furthermore, the nearest one-third of the Directors will retire from office by rotation but are eligible for re-election by shareholders at the AGM and the Board will ensure that every Director is subject to retirement by rotation at least once every three years.

d) Board Meetings

i) Number of Meetings and Directors' Attendance

The Board meets from time to time to discuss and exchange ideas on the affairs of the Company. During the eighteen months ended 31 December 2009, the Board held eight meetings to approve interim/final results announcements and interim/annual reports, to determine the level of dividends, to discuss significant issues and the general operation of the Company and to approve matters and transactions specifically reserved to the Board for its decision. The attendance of the Directors is set out in the table on page 111.

ii) Practices and Conduct of Meetings

Notices of regular Board meetings are given to all Directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

The Company Secretary of the Company is responsible to take and keep minutes of all Board meetings and committee meetings. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final signed version is sent to all Directors for their records and open for Directors' inspection.

e) Conflict of Interest

If a director has a material interest in a matter to be considered by the Board, a physical meeting will be held to discuss the matter instead of seeking Directors' written consent by way of circulation of written resolution. In accordance with the Articles, such Director who considered to be materially interested in the matter shall abstain from voting and not be counted in the quorum.

f) Director's and Officer's Liability Insurance

The Company has arranged director's and officer's liability insurance to indemnify the Directors and senior management against any potential liability arising from the Company's business activities which such Directors and senior management may be held liable.

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D) Board Committees

The Board has set up three main Board Committees, namely, the Standing Committee, the Audit Committee and the Remuneration Committee, for overseeing particular aspects of the Company's affairs. The Standing Committee of the Board operates as a general management committee with delegated authority from the Board. The terms of reference of the Audit Committee and the Remuneration Committee are no less exacting than those set out in the Code.

The Board Committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

a) Audit Committee

The Audit Committee was established in December 1998 and reports to the Board. The members of the Audit Committee are:

Independent Non-executive Directors

Gordon Kwong Che Keung (*Chairman*)
Ko Ping Keung
Wu King Cheong

Non-executive Director

Leung Hay Man

The Chairman has the appropriate professional qualifications as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditors within one year immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

The written terms of reference include the authority and duties of the Audit Committee and amongst its principal duties are the review and supervision of the Company's financial reporting process and internal control procedures. In regard to the financial reporting process, the Audit Committee would consider any significant items reflected in the reports and accounts, and any matters that have been raised by the Company's General Manager of the Accounts Department. The terms of reference of the Audit Committee are available on the Company's website.

The Audit Committee held five meetings during the eighteen months ended 31 December 2009. The major work performed by the Audit Committee in respect of the eighteen months ended 31 December 2009 included reviewing and recommending the re-appointment of external auditors, approving the terms of engagement (including the remuneration) of the external auditors, reviewing the unaudited interim report and interim results announcement for the six months ended 31 December 2008, reviewing the second unaudited interim report and interim results announcement for the twelve months ended 30 June 2009, reviewing the audited accounts and final results announcement for the eighteen months ended 31 December 2009, reviewing the work of the Group's internal audit department and assessing the effectiveness of the Group's systems of risk management and internal control. The Audit Committee also discussed with the management to ensure that the Company is having adequate resources, qualified and experienced staff of the accounting and financial reporting function, and training programmes and budget. Additionally, the Independent Non-executive Directors of the Company conducted reviews of the continuing connected transactions as disclosed in the Report of the Directors of this Annual Report.

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b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors

Lee Shau Kee
Colin Lam Ko Yin

Independent Non-executive Directors

Wu King Cheong (*Chairman*)
Gordon Kwong Che Keung
Ko Ping Keung

Each member is sufficiently experienced and is appropriately skilled in the issues of determining executive compensations in public companies. The Board expects the Committee members to exercise independent judgment in conducting the business of the Committee.

The written terms of reference include the specific duties of making recommendations to the Board on the Company's policy and structure for all remuneration of directors and senior management. The terms of reference of the Remuneration Committee are available on the Company's website.

The Remuneration Committee meets once at the beginning of every year to review the salary structure of the employees of the Company as well as the remuneration of senior management staff. The Committee also reviews the remuneration of the Directors with reference to the remuneration level of directors of comparable listed companies.

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance and Appendix 16 of the Listing Rules are set out in note 9 to the accounts on pages 180 to 182. The Directors' fee is fixed at the rate of HK\$50,000 per annum for each Director and in case of each member of the Audit Committee an additional remuneration at the rate of HK\$250,000 per annum until the Company in general meetings otherwise determines. Other emoluments shall from time to time be determined by the Board with reference to the Directors' duties and responsibilities and subject to a review by the Remuneration Committee.

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c) Attendance Record at Board, Audit and Remuneration Committees' Meetings

The attendance of the individual Directors at the meetings of the Board, the Audit Committee and the Remuneration Committee during the eighteen months ended 31 December 2009 is set out in the following table:

	No. of meetings attended / No. of meetings held		
	Board	Audit Committee	Remuneration Committee
Executive Directors:			
Lee Shau Kee (<i>Chairman</i>)	¹ 8/8	N/A	1/1
Lee Ka Kit	¹ 6/8	N/A	N/A
Colin Lam Ko Yin	8/8	N/A	1/1
Lee Ka Shing	¹ 7/8	N/A	N/A
John Yip Ying Chee	8/8	N/A	N/A
Alexander Au Siu Kee	8/8	N/A	N/A
Suen Kwok Lam	8/8	N/A	N/A
Lee King Yue	8/8	N/A	N/A
Fung Lee Woon King	¹ 7/8	N/A	N/A
Eddie Lau Yum Chuen	8/8	N/A	N/A
Li Ning	¹ 7/8	N/A	N/A
Patrick Kwok Ping Ho	8/8	N/A	N/A
Non-executive Directors:			
Woo Po Shing	² 6/8	N/A	N/A
Leung Hay Man	8/8	5/5	N/A
Angelina Lee Pui Ling	7/8	N/A	N/A
Lee Tat Man	¹ 3/8	N/A	N/A
Independent Non-executive Directors:			
Gordon Kwong Che Keung	8/8	5/5	1/1
Ko Ping Keung	8/8	5/5	1/1
Wu King Cheong	8/8	5/5	1/1

- Remarks:
1. Out of the eight meetings of the Board, one Board meeting was to consider the continuing connected transactions with Sunlight Real Estate Investment Trust. Dr. Lee Shau Kee, despite his presence at such meeting, abstained from voting and was not counted in the quorum towards the meeting due to his deemed interests in the transactions discussed at such meeting. Absence of Mr. Lee Ka Kit, Mr. Lee Ka Shing, Madam Fung Lee Woon King, Mr. Li Ning and Mr. Lee Tat Man in such meeting was due to his/her deemed interests in the transactions discussed at the meeting.
 2. These six meetings were attended by his alternate, Mr. Jackson Woo Ka Bui.

E) Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the eighteen months ended 31 December 2009, which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the eighteen-month period then ended and are properly prepared on the going concern basis in accordance with the statutory requirements and applicable accounting standards.

The statement of the Auditors of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Auditors' Report on page 142.

F) Auditors' Remuneration

For the eighteen months ended 31 December 2009, the Auditors of the Company and its subsidiaries received approximately HK\$19.4 million for audit and audit related services (Twelve months for the financial year 2008: HK\$14.0 million) as well as HK\$2.6 million for non-audit services (Twelve months for the financial year 2008: HK\$5.6 million). The significant non-audit services covered by these fees included the following:

Nature of service	Fees paid (HK\$ million)
Tax services	0.7
Other services	1.9
	2.6

G) Model Code

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules as the code for dealing in securities of the Company by the Directors (the "Model Code"). Having made specific enquiries, the Company confirms that all Directors have complied with the required standards as set out in the Model Code.

H) Internal Controls

The Board is responsible for ensuring sound and effective internal control systems to safeguard the shareholders' investment and the Company's assets.

The Internal Audit Department of the Company, which reports directly to the Audit Committee and is independent of the Company's daily operations, is responsible for conducting regular audit on the major activities of the Company. Its objective is to ensure that all material controls, including financial, operational and compliance controls and risk management functions are in place and functioning effectively. During the eighteen months ended 31 December 2009, the Board has reviewed through the Audit Committee the effectiveness of the Group's internal control systems, and the adequacy of resources, qualifications and experience of staff of the accounting and financial reporting function and their training programmes and budget in order to ensure that they meet with the dynamic and ever changing business environment.

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I) Shareholder Rights and Investor Relations

The Board is committed to maintaining an on-going dialogue with shareholders and providing timely disclosure of information concerning the Group's material developments to shareholders and investors.

The annual general meetings of the Company provide a forum for communication between shareholders and the Board. The notice of the AGM is despatched to all shareholders at least 20 clear business days prior to such AGM. The Chairman of the Board and the chairmen of all the Board Committees, or in their absence, other members of the respective Committees, are available to answer questions at the annual shareholders' meetings. Pursuant to the Listing Rules, any vote of shareholders at a general meeting will be taken by poll. Detailed procedures for conducting a poll will be explained to the shareholders at the commencement of the general meeting to ensure that shareholders are familiar with such voting procedures. The poll results will be posted on the websites of the Hong Kong Stock Exchange and the Company on the business day following the shareholders' meeting. Moreover, a separate resolution will be proposed by the chairman of a general meeting in respect of each substantially separate issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular communication and dialogue with shareholders, investors and analysts. A meeting with analysts will be held after the announcement of interim or annual results which strengthens the communication with investors. Enquiries from investors are dealt with in an informative and timely manner.

As a channel to further promote effective communication, the Group maintains a website at <http://www.hld.com> where the Company's announcements and press releases, business developments and operations, financial information, corporate governance practices and other information are posted.