

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the eighteen months ended 31 December 2009.

Change of Financial Year End Date

The accounts as audited covering a period of eighteen months from 1 July 2008 to 31 December 2009 are prepared due to the change of the financial year end date from 30 June to 31 December, as set out in the Company's joint announcement dated 19 March 2009. Pursuant to the direction granted by the Registrar of Companies under S. 127(2) of the Companies Ordinance (Chapter 32, the Laws of Hong Kong), the said accounts will be laid before the forthcoming annual general meeting of the Company.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the eighteen months ended 31 December 2009 were property development and investment, construction, infrastructure, hotel operation, finance, department store operation, project management, investment holding and property management.

An analysis of the Group's turnover and contribution from operations by business segments and geographical segments, is set out in note 15 to the accounts on pages 188 to 193.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2009 are set out on pages 226 to 231.

Group Profit

The profit of the Group for the eighteen months ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 143 to 233.

Dividends

The first interim dividend and the second interim dividend each of HK\$0.30 per share were paid on 24 April 2009 and 4 December 2009 respectively. The Directors have recommended the payment of a final dividend of HK\$0.70 per share to shareholders whose names appear on the Register of Members of the Company on 23 April 2010, and such final dividend will not be subject to any withholding tax in Hong Kong.

The proposed final dividend will be payable in cash, with an option to receive new and fully paid shares in lieu of cash under the scrip dividend scheme ("Scrip Dividend Scheme"). The new shares will, on issue, not be entitled to proposed final dividend and Bonus Warrants Issue (as defined in page 11), but will rank *pari passu* in all other respects with the existing shares.

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The listing documents containing details of the Scrip Dividend Scheme and the relevant election form are sent to Shareholders.

The Scrip Dividend Scheme is conditional upon the passing of the resolution relating to the payment of final dividend at the forthcoming annual general meeting and the Listing Committee of The Stock Exchange of Hong Kong Limited granting the listing of and permission to deal in the new shares to be issued under the Scrip Dividend Scheme.

Final dividend will be distributed, and the share certificates issued under the Scrip Dividend Scheme will be sent to Shareholders on Wednesday, 2 June 2010.

Charitable Donations

Charitable donations made by the Group during the eighteen months ended 31 December 2009 amounted to HK\$24,800,000 (Twelve months for the financial year 2008: HK\$15,400,000).

Fixed Assets

Particulars of the movements in fixed assets during the eighteen months ended 31 December 2009 are set out in note 16 to the accounts on pages 194 to 198.

Bank Loans and Overdrafts, and Guaranteed Notes

Particulars of bank loans and overdrafts, and Guaranteed Notes of the Company and the Group as at 31 December 2009 are set out in notes 30 and 31 to the accounts on pages 211 and 212.

Interest Capitalised

The amount of interest capitalised by the Group during the eighteen months ended 31 December 2009 is set out in note 8 to the accounts on page 178.

Reserves

Particulars of the movements in reserves during the eighteen months ended 31 December 2009 are set out in note 34 to the accounts on pages 214 to 218.

Share Capital

Details of the Company's share capital are set out in note 34 to the accounts on page 216.

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Group Financial Summary

The results, assets and liabilities of the Group for the last four years ended 30 June and the eighteen months ended 31 December 2009 are summarised on pages 104 and 105.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 39 to 53 and on pages 77 to 87.

Directors' Remuneration

Particulars of the Directors' remuneration disclosed pursuant to Section 161 of the Companies Ordinance and Appendix 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited are set out in note 9 to the accounts on pages 180 to 182.

Directors

The Directors of the Company during the eighteen months ended 31 December 2009 and up to the date of this report are:

Executive Directors

Dr. the Hon. Lee Shau Kee
(Chairman and Managing Director)
Lee Ka Kit
(Vice Chairman)
Colin Lam Ko Yin
(Vice Chairman)
Lee Ka Shing
(Vice Chairman)
John Yip Ying Chee
Alexander Au Siu Kee
Suen Kwok Lam
Lee King Yue
Fung Lee Woon King
Eddie Lau Yum Chuen
Li Ning
Patrick Kwok Ping Ho

Non-executive Directors

Sir Po-shing Woo
Leung Hay Man
Angelina Lee Pui Ling
Lee Tat Man
Jackson Woo Ka Biu
(Alternate Director to Sir Po-shing Woo)

Independent Non-executive Directors

Gordon Kwong Che Keung
Professor Ko Ping Keung
Wu King Cheong

Mr. Lee King Yue, Mr. Li Ning, Mr. Lee Tat Man, Sir Po-shing Woo, Mr. Gordon Kwong Che Keung and Professor Ko Ping Keung will retire by rotation at the forthcoming annual general meeting in accordance with Article 116 of the Company's Articles of Association and Code on Corporate Governance Practices and, being eligible, offer themselves for re-election.

Report of the Directors

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2009, the interests and short positions of each Director of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register required to be kept under Section 352 of the SFO or which were notified to the Company or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

(A) Ordinary Shares (unless otherwise specified)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henderson Land Development Company Limited	Lee Chau Kee	1	7,269,006		1,149,305,866		1,156,574,872	53.88
	Lee Ka Kit	1				1,149,305,866	1,149,305,866	53.54
	Lee Ka Shing	1				1,149,305,866	1,149,305,866	53.54
	Li Ning	1		1,149,305,866			1,149,305,866	53.54
	Lee Tat Man	2	111,393				111,393	0.01
	Lee Pui Ling, Angelina	3	30,000				30,000	0.00
	Lee King Yue	4	252,263		19,800		272,063	0.01
	Fung Lee Woon King	5	1,000,000				1,000,000	0.05
Woo Ka Bui, Jackson	6			2,000		2,000	0.00	
Henderson Investment Limited	Lee Chau Kee	7	34,779,936		2,076,089,007		2,110,868,943	69.27
	Lee Ka Kit	7				2,076,089,007	2,076,089,007	68.13
	Lee Ka Shing	7				2,076,089,007	2,076,089,007	68.13
	Li Ning	7		2,076,089,007			2,076,089,007	68.13
	Lee Tat Man	8	6,666				6,666	0.00
	Lee King Yue	9	1,001,739				1,001,739	0.03
The Hong Kong and China Gas Company Limited	Lee Chau Kee	10	3,903,670		2,705,807,442		2,709,711,112	41.50
	Lee Ka Kit	10				2,705,807,442	2,705,807,442	41.44
	Lee Ka Shing	10				2,705,807,442	2,705,807,442	41.44
	Li Ning	10		2,705,807,442			2,705,807,442	41.44
	Au Siu Kee, Alexander	11			60,500		60,500	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Chau Kee	12	7,799,220		111,732,090		119,531,310	33.55
	Lee Ka Kit	12				111,732,090	111,732,090	31.36
	Lee Ka Shing	12				111,732,090	111,732,090	31.36
	Li Ning	12		111,732,090			111,732,090	31.36
	Lam Ko Yin, Colin	13	150,000				150,000	0.04
	Fung Lee Woon King	14	465,100				465,100	0.13
	Leung Hay Man	15	2,250				2,250	0.00

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(A) Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Miramar Hotel and Investment Company, Limited	Lee Shau Kee	16			255,188,250		255,188,250	44.21
	Lee Ka Kit	16				255,188,250	255,188,250	44.21
	Lee Ka Shing	16				255,188,250	255,188,250	44.21
	Li Ning	16		255,188,250			255,188,250	44.21
	Woo Po Shing	17	2,705,000		2,455,000		5,160,000	0.89
Towngas China Company Limited	Lee Shau Kee	18			893,172,901		893,172,901	45.61
	Lee Ka Kit	18				893,172,901	893,172,901	45.61
	Lee Ka Shing	18				893,172,901	893,172,901	45.61
	Li Ning	18		893,172,901			893,172,901	45.61
Henderson Development Limited	Lee Shau Kee	19			8,190 (Ordinary A Shares)		8,190 (Ordinary A Shares)	100.00
	Lee Shau Kee	20			3,510 (Non-voting B Shares)		3,510 (Non-voting B Shares)	100.00
	Lee Shau Kee	21	35,000,000 (Non-voting Deferred Shares)		15,000,000 (Non-voting Deferred Shares)		50,000,000 (Non-voting Deferred Shares)	100.00
	Lee Ka Kit	19				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Kit	20				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Kit	21				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00
	Lee Ka Shing	19				8,190 (Ordinary A Shares)	8,190 (Ordinary A Shares)	100.00
	Lee Ka Shing	20				3,510 (Non-voting B Shares)	3,510 (Non-voting B Shares)	100.00
	Lee Ka Shing	21				15,000,000 (Non-voting Deferred Shares)	15,000,000 (Non-voting Deferred Shares)	30.00

Report of the Directors

(A) Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
	Li Ning	19		8,190 (Ordinary A Shares)			8,190 (Ordinary A Shares)	100.00
	Li Ning	20		3,510 (Non-voting B Shares)			3,510 (Non-voting B Shares)	100.00
	Li Ning	21		15,000,000 (Non-voting Deferred Shares)			15,000,000 (Non-voting Deferred Shares)	30.00
Best Homes Limited	Lee Chau Kee	22			26,000		26,000	100.00
	Lee Ka Kit	22				26,000	26,000	100.00
	Lee Ka Shing	22				26,000	26,000	100.00
	Li Ning	22		26,000			26,000	100.00
Drinkwater Investment Limited	Leung Hay Man	23			5,000		5,000	4.49
	Woo Po Shing	24			3,250		3,250	2.92
Feswin Investment Limited	Lee Ka Kit	25			5,000	5,000	10,000	100.00
Fordley Investment Limited	Fung Lee Woon King	26	2,000				2,000	20.00
Furnline Limited	Lee Chau Kee	27			100 (A Shares)		100 (A Shares)	100.00
	Lee Chau Kee	28			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	28				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	27				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	28				1 (B Share)	1 (B Share)	100.00
	Li Ning	27		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	28			1 (B Share)		1 (B Share)	100.00
Gain Base Development Limited	Fung Lee Woon King	29	50				50	5.00

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(A) Ordinary Shares (unless otherwise specified) (continued)

Long Positions

Name of Company	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total	% Interest
Henfield Properties Limited	Lee Ka Kit	30			4,000	6,000	10,000	100.00
Heyield Estate Limited	Lee Shau Kee	31			100		100	100.00
	Lee Ka Kit	31				100	100	100.00
	Lee Ka Shing	31				100	100	100.00
	Li Ning	31		100			100	100.00
Perfect Bright Properties Inc.	Lee Shau Kee	32			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau Kee	33			1 (B Share)		1 (B Share)	100.00
	Lee Ka Kit	32				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Kit	33				1 (B Share)	1 (B Share)	100.00
	Lee Ka Shing	32				100 (A Shares)	100 (A Shares)	100.00
	Lee Ka Shing	33				1 (B Share)	1 (B Share)	100.00
	Li Ning	32		100 (A Shares)			100 (A Shares)	100.00
	Li Ning	33			1 (B Share)		1 (B Share)	100.00
Pettystar Investment Limited	Lee Shau Kee	34			3,240		3,240	80.00
	Lee Ka Kit	34				3,240	3,240	80.00
	Lee Ka Shing	34				3,240	3,240	80.00
	Li Ning	34		3,240			3,240	80.00

(B) Debentures

Issuer and type of debentures	Name of Director	Note	Personal Interests	Family Interests	Corporate Interests	Other Interests	Total
HKCG (Finance) Limited – 6.25% Guaranteed Notes due 2018	Au Siu Kee, Alexander	35				US\$500,000	US\$500,000
Henson Finance Limited – 5.50% Guaranteed Notes due 2019	Au Siu Kee, Alexander	36				US\$500,000	US\$500,000

Save as disclosed above, none of the Directors or Chief Executive of the Company or their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as defined in the SFO.

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Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the eighteen months ended 31 December 2009 was the Company or any of its holding companies, subsidiary companies or fellow subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Substantial Shareholders' and Others' Interests

As at 31 December 2009, the interests and short positions of every person, other than Directors of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Long Positions

	No. of shares in which interested	% Interest
Substantial Shareholders:		
Rimmer (Cayman) Limited (Note 1)	1,149,305,866	53.54
Riddick (Cayman) Limited (Note 1)	1,149,305,866	53.54
Hopkins (Cayman) Limited (Note 1)	1,149,305,866	53.54
Henderson Development Limited (Note 1)	1,147,939,800	53.47
Yamina Investment Limited (Note 1)	563,631,300	26.26
Believegood Limited (Note 1)	247,239,300	11.52
South Base Limited (Note 1)	247,239,300	11.52
Persons other than Substantial Shareholders:		
Cameron Enterprise Inc. (Note 1)	145,090,000	6.76
Third Avenue Management LLC on behalf of numerous portfolios	150,527,988	7.01
Third Avenue Management LLC on behalf of the Third Avenue Value Fund (Note 37)	103,328,000	5.32

Notes:

1. Of these shares, Dr. Lee Chau Kee was the beneficial owner of 7,269,006 shares and for the remaining 1,149,305,866 shares, (i) 570,743,800 shares were owned by Henderson Development Limited ("HD"); (ii) 7,962,100 shares were owned by Sandra Investment Limited which was a wholly-owned subsidiary of HD; (iii) 145,090,000 shares were owned by Cameron Enterprise Inc.; 247,239,300 shares were owned by Believegood Limited which was wholly-owned by South Base Limited; 61,302,000 shares were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 55,000,000 shares were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 55,000,000 shares were owned by Spreadral Limited which was wholly-owned by World Crest Ltd.; and Cameron Enterprise Inc., South Base Limited, Jayasia Investments Limited, Mei Yu Ltd. and World Crest Ltd. were wholly-owned subsidiaries of Yamina Investment Limited which in turn was 100% held by HD; (iv) 5,602,600 shares were owned by Superfun Enterprises Limited, a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("China Gas") which was 39.88% held by Henderson Land Development Company Limited ("HL") which in turn was 53.47% held by HD; and (v) 1,366,066 shares were owned by Fu Sang Company Limited ("Fu Sang"). Hopkins (Cayman) Limited ("Hopkins") as trustee of a unit trust (the "Unit Trust") owned all the issued ordinary shares of HD and Fu Sang. Rimmer (Cayman) Limited ("Rimmer") and Riddick (Cayman) Limited ("Riddick"), as trustees of respective discretionary trusts, held units in the Unit Trust. The entire issued share capital of Hopkins, Rimmer and Riddick were owned by Dr. Lee Chau Kee. Dr. Lee Chau Kee was taken to be interested in these shares by virtue of SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.

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2. *Mr. Lee Tat Man was the beneficial owner of these shares.*
3. *Mrs. Lee Pui Ling, Angelina was the beneficial owner of these shares.*
4. *Mr. Lee King Yue was the beneficial owner of 252,263 shares, and the remaining 19,800 shares were held by Ngan Hei Development Company Limited which was 50% each owned by Mr. Lee King Yue and his wife.*
5. *Madam Fung Lee Woon King was the beneficial owner of these shares.*
6. *These shares were owned by the wife of Mr. Woo Ka Biu, Jackson.*
7. *Of these shares, Dr. Lee Shau Kee was the beneficial owner of 34,779,936 shares, and for the remaining 2,076,089,007 shares, (i) 802,854,200 shares, 602,398,418 shares, 363,328,900 shares, 217,250,000 shares and 84,642,341 shares were respectively owned by Banshing Investment Limited, Markshing Investment Limited, Covite Investment Limited, Gainwise Investment Limited and Darnman Investment Limited, all of which were wholly-owned subsidiaries of Kingslee S.A. which in turn was 100% held by HL; and (ii) 5,615,148 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in HL and Fu Sang as set out in Note 1 and Henderson Investment Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.*
8. *Mr. Lee Tat Man was the beneficial owner of these shares.*
9. *Mr. Lee King Yue was the beneficial owner of these shares.*
10. *Of these shares, Dr. Lee Shau Kee was the beneficial owner of 3,903,670 shares, and for the remaining 2,705,807,442 shares, (i) 1,402,419,759 shares and 585,912,251 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 615,295,494 shares were owned by Macrostar Investment Limited, a wholly-owned subsidiary of Chelco Investment Limited; and Timpani Investments Limited and Chelco Investment Limited were wholly-owned subsidiaries of Faxson Investment Limited which in turn was 100% held by HL; (ii) 4,799,430 shares were owned by Boldwin Enterprises Limited, a wholly-owned subsidiary of Yamina Investment Limited which was 100% held by HD; and (iii) 97,380,508 shares were owned by Fu Sang. Dr. Lee Shau Kee was taken to be interested in HL, HD and Fu Sang as set out in Note 1 and China Gas by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.*
11. *These shares were owned by the wife of Mr. Au Siu Kee, Alexander.*
12. *Of these shares, Dr. Lee Shau Kee was the beneficial owner of 7,799,220 shares, and for the remaining 111,732,090 shares, (i) 23,400,000 shares each were respectively owned by Graf Investment Limited, Mount Sherpa Limited and Paillard Investment Limited, all of which were wholly-owned subsidiaries of Pataca Enterprises Limited which in turn was 100% held by HL; and (ii) 41,532,090 shares were held by Wiselin Investment Limited, a wholly-owned subsidiary of Max-mercan Investment Limited; Max-mercan Investment Limited was wholly-owned by Camay Investment Limited which in turn was 100% held by HL. Dr. Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Hong Kong Ferry (Holdings) Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.*
13. *Mr. Lam Ko Yin, Colin was the beneficial owner of these shares.*
14. *Madam Fung Lee Woon King was the beneficial owner of these shares.*
15. *Mr. Leung Hay Man was the beneficial owner of these shares.*
16. *Of these shares, 100,612,750 shares, 79,121,500 shares and 75,454,000 shares were respectively owned by Higgins Holdings Limited, Multiglade Holdings Limited and Threadwell Limited, all of which were wholly-owned subsidiaries of Aynbury Investments Limited which in turn was 100% held by HL. Dr. Lee Shau Kee was taken to be interested in HL as set out in Note 1 and Miramar Hotel and Investment Company, Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.*
17. *Of these shares, Sir Po-shing Woo was the beneficial owner of 2,705,000 shares, and the remaining 2,455,000 shares were held by Fong Fun Company Limited which was 50% owned by Sir Po-shing Woo.*

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18. *These shares were owned by Hong Kong & China Gas (China) Limited, Planwise Properties Limited and Superfun Enterprises Limited, wholly-owned subsidiaries of China Gas. Dr. Lee Shau Kee was taken to be interested in China Gas as set out in Note 10 and Towngas China Company Limited by virtue of the SFO. As directors of the Company and discretionary beneficiaries of two discretionary trusts holding units in the Unit Trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in these shares by virtue of the SFO. As director of the Company and the spouse of a discretionary beneficiary of two discretionary trusts holding units in the Unit Trust, Mr. Li Ning was taken to be interested in these shares by virtue of the SFO.*
19. *These shares were held by Hopkins as trustee of the Unit Trust.*
20. *These shares were held by Hopkins as trustee of the Unit Trust.*
21. *Of these shares, Dr. Lee Shau Kee was the beneficial owner of 35,000,000 shares, and Fu Sang owned the remaining 15,000,000 shares.*
22. *Of these shares, (i) 10,400 shares were owned by HL; (ii) 2,600 shares were owned by HD; and (iii) 13,000 shares were owned by Manifest Investments Limited which was 74.16% held by Wealth Sand Limited which in turn was 70% held by Firban Limited. Firban Limited was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Firban Limited. Triton (Cayman) Limited as trustee of a unit trust owned all the issued share capital of Jetwin International Limited. Triumph (Cayman) Limited and Victory (Cayman) Limited, as trustees of respective discretionary trusts, held units in the unit trust. The entire share capital of Triton (Cayman) Limited, Triumph (Cayman) Limited and Victory (Cayman) Limited were owned by Dr. Lee Shau Kee who was taken to be interested in such shares by virtue of the SFO. As discretionary beneficiaries of the discretionary trusts holding units in such unit trust, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in such shares by virtue of the SFO. As the spouse of a discretionary beneficiary of the discretionary trusts holding units in such unit trust, Mr. Li Ning was taken to be interested in such shares by virtue of the SFO.*
23. *These shares were held by Gilbert Investment Inc. which was wholly-owned by Mr. Leung Hay Man.*
24. *These shares were held by Coningham Investment Inc. which was wholly-owned by Fong Fun Investment Inc. of which 50% was owned by Sir Po-shing Woo and 50% by his wife.*
25. *Of these shares, (i) 5,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 5,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by Henderson China Holdings Limited ("HC"), an indirect wholly-owned subsidiary of HL.*
26. *Madam Fung Lee Woon King was the beneficial owner of these shares.*
27. *These shares were owned by Jetwin International Limited.*
28. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*
29. *Madam Fung Lee Woon King was the beneficial owner of these shares.*
30. *Of these shares, (i) 4,000 shares were owned by Applecross Limited which was wholly-owned by Mr. Lee Ka Kit; and (ii) 6,000 shares were owned by Henderson (China) Investment Company Limited, a wholly-owned subsidiary of Andco Limited which was wholly-owned by HC.*
31. *Of these shares, (i) 80 shares were owned by Tactwin Development Limited, a wholly-owned subsidiary of HL; (ii) 10 shares were owned by Henderson Finance Company Limited, a wholly-owned subsidiary of HD; and (iii) 5 shares each were owned by Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Heyield Estate Limited.*
32. *These shares were owned by Jetwin International Limited.*
33. *This share was owned by Sunnice Investment Limited, a wholly-owned subsidiary of Profit Best Development Limited which in turn was wholly-owned by HL.*
34. *Of these shares, (i) 3,038 shares were owned by HL; and (ii) 202 shares were owned by Allied Best Investment Limited which was 50% held by each of Perfect Bright Properties Inc. and Furnline Limited, and Jetwin International Limited was the sole holder of A shares in each of Perfect Bright Properties Inc. and Furnline Limited (the "A Shares") with the A Shares being entitled to all interests and, liable for all liabilities in Allied Best Investment Limited.*
35. *HKCG (Finance) Limited was a wholly-owned subsidiary of China Gas. These debentures were owned by Mr. Au Siu Kee, Alexander and his wife jointly.*
36. *Henson Finance Limited was a wholly-owned subsidiary of HL. These debentures were owned by Mr. Au Siu Kee, Alexander and his wife jointly.*
37. *These shares formed part of the 150,527,988 shares held by Third Avenue Management LLC on behalf of numerous portfolios and the percentage of such 103,328,000 shares was based on the then issued 1,942,580,000 shares of the Company as at the reporting date under SFO.*

Report of the Directors

Interests in Contracts and Connected Transactions

During the period of eighteen months under review, the Group entered into the following transactions and arrangements (except for item (5) which was entered into after the period end date) as described below with persons who are “connected persons” for the purposes of the Rules Governing the Listing of Securities (“Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”):

- (1) (i) Henderson Real Estate Agency Limited, a wholly-owned subsidiary of the Company made advances from time to time to Henderson Investment Finance Limited, a wholly-owned subsidiary of Henderson Investment Limited (“Henderson Investment”), with interest chargeable on the balances outstanding from time to time based on Hong Kong Inter-bank Offered Rate (“HIBOR”) quoted by banks. As at 31 December 2009, an amount of approximately HK\$55 million was due by Henderson Investment Finance Limited to Henderson Real Estate Agency Limited.
- (ii) Henderson Finance Company Limited made advances from time to time to Henderson Real Estate Agency Limited, Choiform Limited, Jetkey Development Limited and Perfect Grand Development Limited, subsidiaries of the Company, with interest chargeable on the balances outstanding from time to time based on HIBOR quoted by banks. As at 31 December 2009, the amounts of approximately HK\$2,018 million, HK\$41 million, HK\$26 million and HK\$125 million were due by Henderson Real Estate Agency Limited, Choiform Limited, Jetkey Development Limited and Perfect Grand Development Limited respectively to Henderson Finance Company Limited, which have been included in the accounts under “Amount due to a fellow subsidiary”.
- (iii) Agreements for the management and construction of the properties of certain owner companies (the “Owner Companies”) indirectly controlled by the private trust of the family of Dr. Lee Shau Kee entered into by the Owner Companies (including the Henderson Development Limited group) with each of Henderson Real Estate Agency Limited and the subsidiaries of E Man Construction Company Limited, two wholly-owned subsidiaries of the Company, still subsisted at the period end date.

Dr. Lee Shau Kee, Mr. Lee Ka Kit and Mr. Lee Ka Shing were taken to be interested in the transactions and contracts referred to in the above as a director (and as more particularly described in the section “Disclosure of Interests” above) of the Company’s subsidiary, Henderson Investment and the Company’s ultimate holding company, Henderson Development Limited. Mr. Li Ning was taken to be interested in the transactions and contracts referred to in the above as a director (and as more particularly described in the section “Disclosure of Interests” above) of the Company’s subsidiary, Henderson Investment.

- (2) As at 31 December 2009, Mr. Lee Ka Kit, through companies owned or controlled by him, had interests in two companies in which Henderson China Holdings Limited (“Henderson China”) was interested and through which Henderson China held interests in projects. Mr. Lee had 50 per cent interest in Feswin Investment Limited holding Lot 470 of Wanping Road South and 40 per cent interest in Henfield Properties Limited (certain its properties had been disposed of), with the remaining interests owned by members of the Henderson China Group. Mr. Lee Ka Kit is a Director of the Company.

Mr. Lee Ka Kit agreed to provide and had provided finance in the form of advances to these companies in proportion to his equity interests in these companies. An agreement entered into between Henderson China and Mr. Lee Ka Kit on 15 March 1996 provided that all existing and future advances made by Henderson China and Mr. Lee Ka Kit to these companies would be unsecured, on the same basis and at the same interest rate or without interest. As at 31 December 2009, such advances made by Mr. Lee Ka Kit to the Henderson China Group’s associate amounted to approximately HK\$80 million and from 1 January 2003 to 31 December 2009, no interest on the advances made by Mr. Lee Ka Kit was charged.

Report of the Directors

- (3) During the eighteen months ended 31 December 2009, the Group made advances to the following non wholly-owned subsidiaries and associates as unsecured working capital repayable on demand:

Best Homes Limited
Choiform Limited
Crown Truth Limited
Feswin Investment Limited
Gain Base Development Limited
Hang Seng Quarry Company Limited
Harvest Development Limited
Henfield Properties Limited
Lane Success Development Limited
Pettystar Investment Limited

Certain Directors of the Company or its subsidiaries have interests in the above companies. Both the Group and such Directors' associates made advances in proportion to their equity interests in the companies. The advances made by the Group and the Directors' associates to the individual companies listed above were either both interest-bearing on identical normal commercial terms or both without interest.

- (4) The Company had the following connected / continuing connected transactions, each of which, as disclosed by way of announcement, was subject to the reporting and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules since each of the applicable percentage ratios was less than 2.5%:
- (i) As disclosed in the announcement dated 16 February 2009, the Group through its subsidiaries, Harvest Development Limited, Carley Limited, Perfect Success Development Limited, Onfine Development Limited and Rich Silver Development Limited and New World Development Company Limited's ("NWD") subsidiary, Regent Star Investment Limited ("Regent Star") entered into two deeds of exchange on 9 February 2009 for the purpose of exchanging shares in their respective interests in (a) various lots (total 446) with the total site areas of approximately 850,700 square feet and (b) various lots (total 107) with the total site areas of approximately 146,900 square feet all in Demarcation District No. 206, Lok Wo Sha, Wu Kai Sha, New Territories, Hong Kong to the effect that such lands be vested in such subsidiaries of the Group and Regent Star as tenants in common in the proportion of 68% and 32% respectively for the surrender to, and re-grant of such lands by the government. There was no equality money paid by either party to the said deeds of exchange.

As NWD was a substantial shareholder of certain subsidiaries of the Group, Regent Star was a connected person of the Company under the Listing Rules. Accordingly, the transactions mentioned above constituted connected transactions of the Company under the Listing Rules.

Report of the Directors

- (ii) As disclosed in the joint announcement with the Group's subsidiary, Henderson Investment dated 12 March 2009, Hong Kong Vigorous Limited ("Vigorous"), a subsidiary of the Company and Henderson Investment, and 馬鞍山市過境公路建設開發有限公司 (Maanshan City Cross Border Highway Construction Development Company Limited) ("Maanshan Highway PRC Partner") entered into an agreement on 12 March 2009 for the purpose of disposing of 70% equity interest, representing its entire interest in 馬鞍山環通公路發展有限公司 (Maanshan Huan Tong Highway Development Limited) ("Maanshan Highway JV") to Maanshan Highway PRC Partner as purchaser at a consideration of RMB122 million. The covenants included, amongst other things, the undertaking by the Maanshan Highway PRC Partner to procure Maanshan Highway JV to pay to Vigorous the 2007 distribution and the 2008 distribution (as more particularly described in the said announcement).

As Maanshan Highway PRC Partner had a 30% interest in the Maanshan Highway JV, Maanshan Highway PRC Partner was a connected person of the Company and Henderson Investment under the Listing Rules. Accordingly, the aforesaid disposal constituted a connected transaction of the Company and Henderson Investment under the Listing Rules. In addition, the aforesaid disposal constituted a discloseable transaction of Henderson Investment. A written independent shareholders' approval to approve the subject disposal in lieu of holding a general meeting had been obtained by Henderson Investment from certain wholly-owned subsidiaries of the Company, which in aggregate held approximately 67.94% of the total issued share capital of Henderson Investment under Rule 14A.43 of the Listing Rules.

- (iii) As disclosed in the announcement dated 15 June 2009, Sunlight Real Estate Investment Trust ("Sunlight REIT") might be deemed by the Hong Kong Stock Exchange as a connected person of the Company under the Listing Rules as a result of the aggregate percentage unitholdings in Sunlight REIT of the Group and the Shau Kee Financial Enterprises Limited group ("SKFE Group") (controlled by a family trust of Dr. Lee Shau Kee, the Chairman and Managing Director of the Company) being marginally above 30% since 30 April 2009. Accordingly, the transactions between the Group and Sunlight REIT group contemplated under the following previous agreements/deeds became continuing connected transactions of the Company under the Listing Rules:

- (a) a property management agreement dated 29 November 2006 (as supplemented by a supplemental agreement dated 28 April 2009) was entered into between Henderson Sunlight Asset Management Limited ("HSAM") and Henderson Sunlight Property Management Limited ("Property Manager") as property manager (and property holding companies under the Sunlight REIT group have also subsequently acceded to the said agreement) relating to the provision of certain property management and lease management as well as marketing services in respect of the properties of Sunlight REIT up to 30 June 2012 at a fee of 3% per annum of the gross property revenue of the relevant properties of Sunlight REIT for property and lease management services and a commission as calculated on the base rent or licence fee for a tenancy or a licence secured ("Property Management Transactions");
- (b) a trust deed dated 26 May 2006 (as supplemented by three supplemental deeds dated 1 June 2006, 28 November 2006 and 28 April 2009 respectively) was entered into between Uplite Limited as settlor, a subsidiary of SKFE Group, HSAM as manager and HSBC Institutional Trust Services (Asia) Limited as trustee in respect of, among other things, the appointment of HSAM as the manager of Sunlight REIT for the management and operation of Sunlight REIT at a base fee not exceeding 0.4% per annum of the property values of Sunlight REIT for the relevant financial year and a variable fee of 3% per annum of the relevant net property income of Sunlight REIT payable in the form of Sunlight REIT units and/or cash. HSAM is also entitled to an acquisition fee in respect of acquisition of real estate by Sunlight REIT, and a divestment fee in respect of any real estate sold or divested by Sunlight REIT (where applicable) and certain reimbursement ("Asset Management Transactions");

Report of the Directors

- (c) agreements of various dates between January 2008 and March 2009 were entered into between the Property Manager and Megastrength Security Services Company Limited (“Megastrength”), the Group’s subsidiary in respect of the provision of security and related services for a number of properties owned by the Sunlight REIT at a typical fixed monthly or yearly service fee payable to Megastrength (“Security Services Transactions”); and
- (d) agreements or arrangements to be entered into from time to time between members of the Group and members of Sunlight REIT group for the provision of other ancillary property services, including but not limited to cleaning services for the properties of Sunlight REIT (“Other Ancillary Property Services Transactions”).

The maximum aggregate sums to be paid by the Sunlight REIT group to the Group under the Property Management Transactions, the Asset Management Transactions, the Security Services Transactions and the Other Ancillary Property Services Transactions would not exceed the following:

Period from 30 April 2009 to 31 December 2009 (HK\$ million)	Financial year ending 31 December 2010 (HK\$ million)	Financial year ending 31 December 2011 (HK\$ million)	Financial year ending 31 December 2012 (HK\$ million)
80	120	130	140

During the period from 30 April 2009 (date of Sunlight REIT being deemed as connected person of the Company) to 31 December 2009, the Group received HK\$14.4 million for the Property Management Transactions, HK\$46.8 million for the Asset Management Transactions, HK\$2.8 million for the Security Services Transactions and HK\$9.2 million for the Other Ancillary Property Services Transactions, which in aggregate amounted to HK\$73.2 million.

A Committee of Independent Non-executive Directors of the Company has reviewed and confirmed that all the above transactions are (a) in accordance with the terms of the relevant agreements/deeds relating to the transactions in question; (b) in the ordinary and usual course of business of the Group; (c) on normal commercial terms or on terms no less favourable than terms available to (or from, as appropriate) independent third parties; and (d) fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditors of the Company have also confirmed that all the above transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Group; (c) have been entered into in accordance with the relevant agreements/deeds governing the continuing connected transactions; and (d) have not exceeded the aforesaid caps.

Report of the Directors

- (iv) As disclosed in the announcement dated 20 July 2009, the Group through its subsidiaries, Onfine Development Limited (“Onfine”) and Gainbo Limited and NWD’s subsidiaries, Waygent Investment Limited (“Waygent”) and Magic Sign Limited (“Magic Sign”) entered into a deed of exchange on 20 July 2009 for the purpose of exchanging shares in their respective interests in various lots (total 112) all in Demarcation District No. 116 and Demarcation District No. 120, Yuen Long, New Territories, Hong Kong with a total site area of approximately 478,900 square feet to the effect that such lands be vested in such subsidiaries of the Group and such subsidiaries of NWD as tenants in common in the proportion of 79.03% and 20.97% respectively for the surrender to, and re-grant of such lands by the government. There was an equality money of approximately HK\$13.4 million paid by NWD’s subsidiaries to Onfine under the said deed of exchange.

As NWD was a substantial shareholder of certain subsidiaries of the Group, Waygent and Magic Sign were connected persons of the Company under the Listing Rules. Accordingly, the transactions mentioned above constituted connected transactions of the Company under the Listing Rules.

- (v) As disclosed in the announcement dated 11 November 2009, due to the change of the financial year end date of the Company from 30 June to 31 December, the periods to which the respective previous annual caps for the continuing connected transactions of the Company in relation to the provision of project management services, leasing agency services, sales agency services and main contractor services in respect of a residential development at 39 Conduit Road, Hong Kong (the “Conduit Road Development”) related (as previously disclosed in the announcement dated 6 June 2008 and the annual report for the year ended 30 June 2008) were revised. Furthermore, owing to the surge in market price for luxurious residential properties in Hong Kong, the sales agency fee exceeded the relevant previous annual caps of sales agency fee under the deed of appointment of sales agent, and accordingly were revised as well. The revised annual caps in respect of the following deeds/arrangement made between certain subsidiaries of the Group and Nation Sheen Limited (“Nation Sheen”) and/or Carry Express Investment Limited (“Carry Express”) as owners of the Conduit Road Development were set out below:

	For the financial period of 18 months ended 31 December 2009 (HK\$ million)	For the financial year ending 31 December 2010 (HK\$ million)	For the 6 months ending 30 June 2011 (HK\$ million)
Project management fee under the novated project management deed dated 13 June 2008 (“PM Fee”)	15.0	10.0	5.0
Leasing agency fee under the novated leasing agent deed dated 13 June 2008 (“Leasing Agency Fee”)	22.5	15.0	7.5
Sales agency fee under the novated sales agent deed dated 13 June 2008 (“Sales Agency Fee”)	45.0	45.0	22.5
Main contractor fee (exclusive of direct payment by the landlords to the nominated sub-contractors) under the main contractor arrangement (“Main Contractor Fee”)	180.0	120.0	60.0

Report of the Directors

On 11 November 2009, Carry Express and Henderson Real Estate Agency Limited (“HREAL”) as sales and marketing agent entered into a deed (“Carry Express Sales Agent Deed”) for the purpose of appointing HREAL as the sales and marketing agent of Carry Express for the disposal of such parts of the units of the Conduit Road Development designated for disposal. HREAL would be entitled to a sales agency fee (“Carry Express Sales Agency Fee”) of 1% of the gross proceeds of disposal for such units of the Conduit Road Development under Carry Express Sales Agent Deed and the relevant annual caps were set out below:

	For the period from the date of the first initial disposal to 31 December 2009 (HK\$ million)	For the financial year ending 31 December 2010 (HK\$ million)	For the financial year ending 31 December 2011 (HK\$ million)	For the 11 months ending 30 November 2012 (HK\$ million)
Annual caps for the Carry Express Sales Agency Fee under Carry Express Sales Agent Deed	33	33	33	33

Each of Nation Sheen and Carry Express, being a non-wholly owned subsidiary of the Group, was an associate of Mr. Yeung Sai Hong who was a substantial shareholder (as defined under the Listing Rules) of certain subsidiaries of the Group. Nation Sheen and Carry Express were therefore connected persons of the Company under the Listing Rules and the above transactions constituted continuing connected transactions of the Company.

During the financial period of 18 months ended 31 December 2009, the Group received HK\$9.1 million as PM Fee, HK\$30.6 million as Sales Agency Fee and HK\$90.2 million as Main Contractor Fee. No Leasing Agency Fee was received by the Group during such period. In addition, during the period from the first initial disposal (i.e. October 2009) to 31 December 2009, the Group received HK\$2.2 million as Carry Express Sales Agency Fee.

A Committee of Independent Non-executive Directors of the Company has reviewed and confirmed that all the above transaction are (a) in accordance with the terms of the relevant agreements/deeds relating to the transactions in question; (b) in the ordinary and usual course of business of the Group; (c) on normal commercial terms or on terms no less favourable than terms available to (or from, as appropriate) independent third parties; and (d) fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Auditors of the Company have also confirmed that all the above transactions (a) have received the approval of the Board; (b) are in accordance with the pricing policies of the Group; (c) have been entered into in accordance with the relevant agreements/deeds governing the continuing connected transactions; and (d) have not exceeded the aforesaid caps.

Report of the Directors

- (5) As disclosed in the announcement dated 15 January 2010, the following agreements relating to the development at Demarcation District No. 206, Lok Wo Sha, Wu Kai Sha, New Territories, Hong Kong (the “Development”) were entered into on 14 January 2010:
- (i) a letter of award between HREAL (on behalf of the Group and Regent Star as landlords) and Vibro (H.K.) Limited (“Vibro”), a non-wholly owned subsidiary of NWD in respect of the appointment of Vibro as the contractor to construct, complete and procure the construction and completion of the foundation and sub-structure works of the Development at a contract sum of HK\$227,500,000; and
 - (ii) a letter of intent between Vibro as contractor and Granbo Construction Company Limited (“Granbo”), a wholly-owned subsidiary of the Group as sub-contractor in respect of the appointment of Granbo the as sub-contractor to construct, complete and procure the construction and completion of part of the bored piling works of the Development at a lump sum fixed price of HK\$16,800,000.

For each of the three years commencing from 20 January 2010, (a) the annual aggregate amount payable by the Group to Vibro under the said letter of award would not exceed HK\$136 million, according to the Group’s 68% interest in the Development; and (b) the annual aggregate amount receivable by Granbo under the said letter of intent would not exceed HK\$17 million.

As NWD was a substantial shareholder of certain subsidiaries of the Group, Vibro was a connected person of the Company under the Listing Rules. Accordingly, the transactions mentioned above constituted continuing connected transactions of the Company under the Listing Rules.

- (6) The material related party transactions set out in note 39 to the accounts on pages 223 and 224 include transactions that constitute connected/continuing connected transactions for which the disclosure requirements under the Listing Rules have been met.

Save as disclosed above, no other contracts of significance to which the Company, its holding company or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, subsisted at the period end or at any time during the period under review.

Directors’ Interests in Competing Business

Pursuant to Rule 8.10 of the Listing Rules, the interests of Directors of the Company in businesses which might compete with the Group during the eighteen months ended 31 December 2009 and as at 31 December 2009 were as follows:

Dr. Lee Shau Kee, the Chairman of the Company, and Mr. Lee Ka Kit, Mr. Lee Ka Shing and Mr. Li Ning, Directors of the Company, have deemed interests and/or held directorships in companies engaged in the same businesses of property investment, development and management in Hong Kong and mainland China as the Group. As those companies which engage in the same businesses as the Group were involved in the investment, development and management of properties of different types and/or in different locations, and the Group, has been operating independently of, and at arm’s length from, the businesses of those companies, no competition is considered to exist.

Report of the Directors

Service Contracts

None of the Directors has a service contract with the Company or any of its subsidiaries which is of a duration exceeding three years or which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

Purchase, Sale or Redemption of the Company's Listed Securities

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the eighteen months ended 31 December 2009.

Major Customers and Suppliers

For the eighteen months ended 31 December 2009:

- (1) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30 per cent of the Group's total purchases.
- (2) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30 per cent of the Group's total turnover.

Management Discussion and Analysis

A management discussion and analysis of the Group's results for the eighteen months ended 31 December 2009 is shown on pages 94 to 103.

Retirement Benefits Scheme

The Group's Hong Kong employees participate in the Henderson Staff Provident Fund (the "Fund"), a defined contribution provident fund scheme as defined in the Occupational Retirement Schemes Ordinance or in another defined contribution scheme (the "Scheme") as mentioned below or in schemes (the "MPF Schemes") registered under the Mandatory Provident Fund Scheme Ordinance ("MPFO").

Contributions to the Fund are made by the participating employers at rates ranging from 4% to 6%, and by the employees at 2%, of the employees' basic monthly salaries. The portion of employers' contributions to which the employees are not entitled and which has been forfeited shall not be used to reduce the future contributions of the participating employers.

As for the Scheme, contributions are made by both the employers and the employees at the rate of 5% of the employees' basic monthly salaries. Forfeited contributions can be applied towards reducing the amount of future contributions payable by the employers. The amount of forfeited contributions of the Scheme utilised during the eighteen months ended 31 December 2009 was HK\$1,972,000 (Twelve months for the financial year 2008: HK\$2,393,000). As at 31 December 2009, there were no forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme (30 June 2008: Nil).

Report of the Directors

No employees of the Group were eligible to join the Fund or the Scheme on or after 1 December 2000.

Employees of the Group who are not members of the Fund and the Scheme participate in the MPF Schemes. In addition to the minimum benefits set out in the MPFO, the Group provides certain voluntary top-up benefits to employees participating in the MPF Schemes. The portion of employer's contributions to which the employees are not entitled and which has been forfeited can be used by the Group to reduce the future contributions. The total amount so utilised in the eighteen months ended 31 December 2009 was HK\$2,598,000 (Twelve months for the financial year 2008: HK\$566,000) and the balance available to be utilised as at 31 December 2009 was HK\$42,000 (30 June 2008: HK\$203,700).

The Group also participates in the state-organised pension scheme operated by the Government of the PRC for its PRC employees and contributes a certain percentage of the employees' covered payroll to fund the benefits.

The Group's retirement costs charged to the profit and loss account for the eighteen months ended 31 December 2009 were HK\$80,949,000 (Twelve months for the financial year 2008: HK\$48,212,000).

Revolving Credit Agreement with Covenants of the Controlling Shareholders

A wholly-owned subsidiary of the Company has continuously acted as borrower for a HK\$10,000,000,000 revolving credit facility (the "First Facility") obtained in 2004 that consisted of a 5-year and a 7-year tranche in equal amounts from a syndicate of banks under the guarantee given by the Company. The 5-year tranche of the First Facility was fully repaid and cancelled in July 2009.

Two wholly-owned subsidiaries of the Company, as borrowers, have obtained a HK\$13,350,000,000 5-year revolving credit facility (the "Second Facility") and a HK\$8,000,000,000 3-year term loan facility (the "Third Facility") from two groups of syndicate of banks under separate guarantees given by the Company in 2006 and 2009 respectively.

In connection with the respective First Facility, Second Facility and Third Facility, it will be an event of default if the Company is deemed to be ultimately controlled by any person(s) other than Dr. Lee Shau Kee and/or his family and/or companies controlled by any of them or any trust in which Dr. Lee Shau Kee and/or his family and/or companies controlled by any of them are beneficiaries. If any event of default occurs, the respective First Facility, Second Facility and Third Facility may become due and payable on demand.

Report of the Directors

Public Float

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules, based on the information that is publicly available to the Company and within the knowledge of the Directors.

Auditors

A resolution for the re-appointment of KPMG as Auditors of the Company is to be proposed at the forthcoming annual general meeting.

Corporate Governance

The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 106 to 113.

On behalf of the Board

Lee Shau Kee

Chairman

Hong Kong, 30 March 2010