恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED
Stock Code: 12

INNOVATION
LOCATION
SUSTAINABILITY
Building for the Future

Annual Report 2010

Henderson Land continues to build business momentum and enhance its credentials as a leading developer of original, innovative and iconic properties. With sustainability as a core consideration, the Group is conscientious in its approach to delivering projects that contribute positively to their context while also enabling customers to grow and succeed through access to a portfolio of attractive and efficient properties in unrivalled locations.

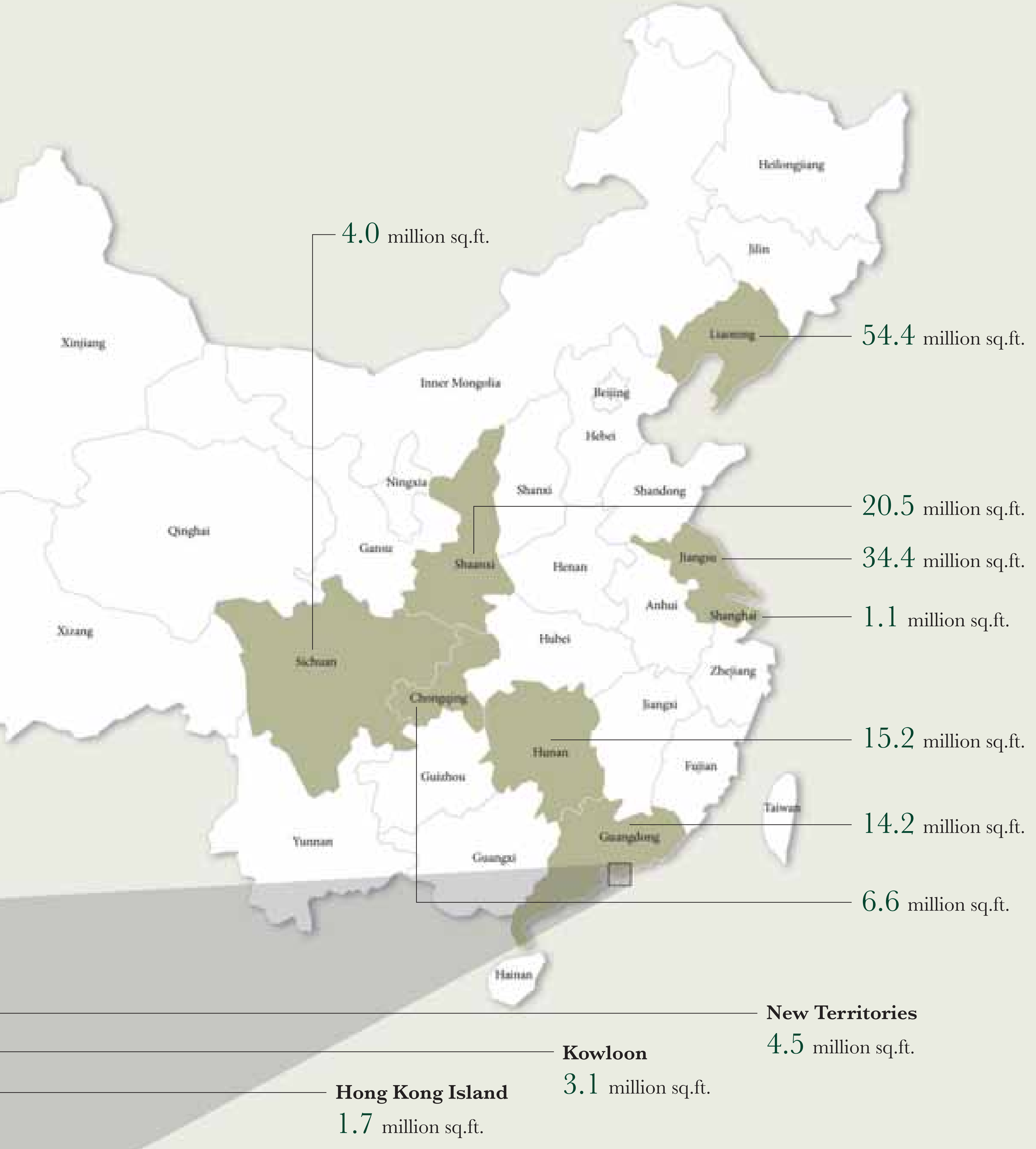
(Cover Photo: Henderson Metropolitan, Shanghai, is a model of the Group's approach to sustainable development. Comprising energy-efficient Grade-A offices, distinctive retail facilities and direct access to the Metro system in an exceptional city centre location, Henderson Metropolitan has achieved a strong pre-leasing response from leading commercial groups and multinational corporations seeking a strategic location in Shanghai.)

Corporate Profile

Founded in 1976 by its Chairman, Dr The Honourable Lee Shau Kee, GBM, Henderson Land Development Company Limited is a leading property group with a focus on Hong Kong and mainland China. Its core businesses comprise property development and property investment. In addition, it has direct equity interests in a listed subsidiary, Henderson Investment Limited, and three listed associates, The Hong Kong and China Gas Company Limited (which in turn has equity stakes in a listed subsidiary, Towngas China Company Limited), Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited.

Henderson Land has been listed in Hong Kong since 1981 where it is one of the largest property groups. As at 31 December 2010, Henderson Land had market capitalization of HK$115 billion and the combined market capitalization of the Company, its listed subsidiary and associates was HK$266 billion.

The Company is vertically integrated, with project management, construction, property management, and financial services supporting its core businesses. In all aspects of its operations, Henderson Land strives to add value for its shareholders, customers and the community through its commitment to excellence in product quality and service delivery as well as a continuous focus on sustainability and the environment.



The diagram above provides an overview of the Group's substantial and diverse, yet balanced development land bank in Hong Kong and mainland China as at 31 December 2010. It illustrates the attributable developable gross floor area by location. Henderson Land's quality land reserve is earmarked for both commercial and residential projects, which are expected to provide handsome returns for the Group during the years to come.

Contents

Forward-Looking Statements

This annual report contains certain statements that are forward-looking or which use certain forward-looking terminologies. These forward-looking statements are based on the current beliefs, assumptions and expectations of the Board of Directors of the Company regarding the industry and markets in which it operates. These forward-looking statements are subject to risks, uncertainties and other factors beyond the Company's control which may cause actual results or performance to differ materially from those expressed or implied in such forward-looking statements.

Awards & Accolades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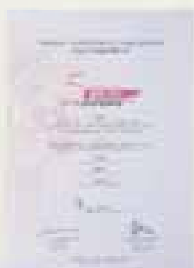
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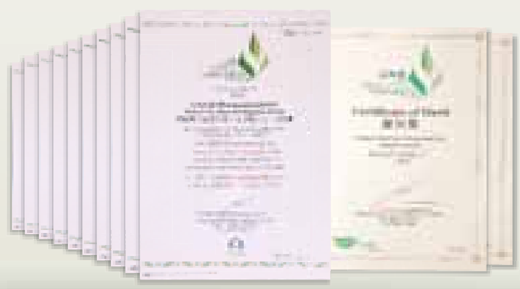
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1 Leadership in Energy and Environmental Design (LEED)
U.S. Green Building Council
Platinum Certificate (World Financial Centre, Beijing)

2 Quality Building Award 2010
The Hong Kong Institute of Housing, Hong Kong Construction Association, The Hong Kong Institute of Architects and six other institutes/disciplines
Merit Award - Project Outside Hong Kong Category (World Financial Centre, Beijing)

3 Green Building Award 2010
Hong Kong Green Building Council and Professional Green Building Council
[New Buildings - Asia Pacific (Commercial Project)] Finalist (World Financial Centre, Beijing)

4 Building Environmental Assessment Method (BEAM)
BEAM Society
Platinum Standard (39 Conduit Road)

5 CCTV Annual Famous Brand in China 2010
China Network Television, CCTV's Financial Channel and other media

6 Hang Seng Corporate Sustainability Index Series
Hang Seng Indexes Company Limited
Inaugural Constituent

7 Asia's Best Companies 2010
FinanceAsia
Best Corporate Social Responsibility (Hong Kong)
Best Investor Relations (Hong Kong)

8 Hong Kong Outstanding Enterprises Parade 2010
Economic Digest
Hong Kong Outstanding Enterprises 2010 (Blue Chip)

9 Caring Company 2009/10
The Hong Kong Council of Social Services
Henderson Land, Hong Kong & China Gas, Hong Kong Ferry, Miramar, Hang Yick, Well Born & Goodwill

10 Hong Kong Awards for Environmental Excellence
Environmental Campaign Committee, Environmental Protection Department and nine other institutes/disciplines
Sectorial Awards (Property Management) - Certificates of Merit (Grand Promenade, The Beverly Hills)
"Class of Excellence" Wastewi$e Label - Metro City Plaza II & III Shopping Arcade, Sunshine City Phase I-V Shopping Arcade, Metro Harbour Plaza, Fanling Centre Shopping Arcade, Citimall, Manhattan Plaza, Goodwill Head Office, Kowloon Building, Winning Centre (Goodwill)

11 Considerate Contractors Site Award Scheme 2009
Development Bureau
Gold Considerate Contractors Site Award (Non-Public Works - RMAA Works) - Alteration & Addition Works of Trend Plaza (South Wing) at Site B TMTL 282, Tuen Mun, N.T. (E Man)

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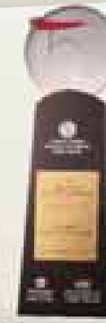

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12 HKCA Safety Award 2009

Hong Kong Construction Association

HKCA Proactive Safety Contractors Award 2009 (E Man, Heng Shung & Heng Tat)

HKCA Safety Merit Award 2009 (Heng Lai)

13 2009 Customer Relationship Excellence Awards

Asia Pacific Customer Service Consortium

Corporate Environmental & Social Leadership of the Year 2009 (Property Management)

Customer Service Center of the Year 2009 (Property Management)

14 Excellence in Facility Management Award 2010

Hong Kong Institute of Facility Management

Excellence in Facility Management Award - Residential (Grand Waterfront)

Certificate of Merit - Green Performance (The Beverly Hills)

15 21st Annual International GALAXY Awards

Mercomm, Inc.

Gold Award (category: Design: Covers - Annual Reports)

16 2010 International ARC Awards

Mercomm, Inc.

Gold Award (category: Chairman's Letter - Real Estate Development)

Silver Award (category: Interior Design - Real Estate Development)

Bronze Award (category: Overall AR - Real Estate Development)

17 2009/10 One Factory-One Year-One Environmental Project (1-1-1) Programme

Federation of Hong Kong Industries

Hang Seng-Pearl River Delta Environmental Grand Award (The Hong Kong and China Gas Company Limited)

Hang Seng-Pearl River Delta Environmental Category Award - Energy Conservation (The Hong Kong and China Gas Company Limited)

Hang Seng-Pearl River Delta Environmental Category Award - Others (The Hong Kong and China Gas Company Limited)

18 World Top 1000 Chinese Enterprises

Yazhou Zhoukan

Best Business Performance Award 2010 - Hong Kong Region (The Hong Kong and China Gas Company Limited)

19 CAPITAL Best of the Best 2010

CAPITAL

The Best Travel Agent Award (Miramar Travel - Miramar Hotel and Investment Company, Limited)

The Best Luxury Cruise Line (Crystal Cruises - Miramar Hotel and Investment Company, Limited)

20 China Best Design Hotels Award 2010

The Bund

The Best of the Year Award 2010 (The Mira Hong Kong – Miramar Hotel and Investment Company, Limited)

21 2010 Hong Kong Top Service Brand Awards

Hong Kong Brand Development Council and The Chinese Manufacturers' Association of Hong Kong

Hong Kong Top Service Brand Award (Harbour Cruise-Bauhinia - Hong Kong Ferry (Holdings) Company Limited)

Henderson Land Group Structure

Market capitalization as at 31 December 2010
Henderson Land Development Company Limited: HK$115 billion
Six listed companies of the Group: HK$266 billion

Henderson Land Development Company Limited

Investment holding, property development and investment in Hong Kong and mainland China, hotel operation, project and property management, construction, department store operation and provision of finance

31.36%

Hong Kong Ferry (Holdings) Company Limited

Property development and investment

67.94%

Henderson Investment Limited

Infrastructure

39.88%

The Hong Kong and China Gas Company Limited

Production and distribution of gas in Hong Kong and mainland China

66.49%

Towngas China Company Limited

Sale and distribution of liquefied petroleum gas and natural gas in mainland China

44.21%

Miramar Hotel and Investment Company, Limited

Property investment, hotel operation, food and beverage operations and travel business

Note: all percentage shareholdings shown above were figures as of 31 December 2010.

Highlights of 2010 Final Results

	Note	For the financial year ended 31 December 2010 HK$ million	For the 18-month period ended 31 December 2009 (restated) HK$ million	Change	For the 12-month period ended 31 December 2009 (Note 10) HK$ million	Change
Property sales						
– Revenue	1	**3,560**	7,877	-55%	**5,405**	**-34%**
– Profit contribution	2	**539**	2,915	-82%	**2,056**	**-74%**
Net rental income	3	**3,382**	4,540	-26%	**3,078**	**+10%**
Profit attributable to Shareholders						
– Underlying profit	4, 5	**5,042**	6,027	-16%	**4,625**	**+9%**
– Reported profit	5	**15,820**	15,465	+2%	**14,279**	**+11%**
		HK$	HK$		**HK$**	
Earnings per share						
– Based on underlying profit	4, 5	**2.33**	2.81	-17%	**2.15**	**+8%**
– Based on reported profit	5	**7.32**	7.20	+2%	**6.65**	**+10%**
Dividends per share		**1.00**	1.30	-23%	**1.00**	**-**
		At 31 December 2010	**At 31 December 2009**			
		HK$	**HK$**			
Net asset value per share (2009 – restated)	5, 6	**73.09**	**66.24**	**+10%**		
Net debt to Shareholders' equity (2009 – restated)	5, 7	**28.2%**	**19.5%**	**+8.7 percentage points**		
		At 31 December 2010 Million square feet	**At 31 December 2009 Million square feet**			
Hong Kong						
Land bank (attributable floor area)						
– Properties held for/under development	8	**10.9**	**9.4**			
– Completed investment properties	9	**10.4**	**10.4**			
		21.3	**19.8**			
Agricultural land (total land area)		**40.6**	**32.8**			
Mainland China						
Land bank (attributable floor area)						
– Properties held for/under development		**150.4**	**146.2**			
– Completed investment properties		**6.5**	**5.2**			
		156.9	**151.4**			

Notes:

1 *Representing the Group's attributable share of the value of properties in Hong Kong and mainland China sold by subsidiaries, associates and jointly controlled entities ("JCEs") and after taking into account the effect of cancelled sales transactions. The Group's attributable revenue from property sales before taking into account the effect of cancelled sales transactions was HK$5,726 million for the financial year ended 31 December 2010 and HK$8,700 million for the 18-month period ended 31 December 2009.*

2 *Representing the Group's attributable share of profit contribution (before taxation) from property sales in Hong Kong and mainland China by subsidiaries, associates and JCEs and after taking into account the effect of cancelled sales transactions. The Group's attributable profit contribution from property sales before taking into account the effect of cancelled sales transactions was HK$1,573 million for the financial year ended 31 December 2010 and HK$3,142 million for the 18-month period ended 31 December 2009.*

3 *Including the Group's attributable share of net rental income (before taxation) from investment properties in Hong Kong and mainland China held by associates and JCEs.*

4 *Excluding the fair value change (net of deferred tax) of the investment properties held by subsidiaries, associates and JCEs.*

5 *The Group has early adopted the amendments to HKAS 12, Income taxes, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property. The change in policy arising from the amendments to HKAS 12 has been applied retrospectively by restating the opening balances at 1 July 2008 and 1 January 2010, with consequential adjustments to comparatives for the period ended 31 December 2009.*

6 *Representing the amount attributable to equity Shareholders of the Company.*

7 *Net debt comprises the aggregate of the Group's bank and other borrowings and the amount due to a fellow subsidiary, less cash and bank balances at the balance sheet date.*

8 *Including stock of unsold property units with attributable floor area of 1.6 million square feet at 31 December 2010 and 2.0 million square feet at 31 December 2009.*

9 *Including hotel properties with attributable floor area of 1.0 million square feet.*

10 *The figures for the corresponding period of 12 months ended 31 December 2009 have not been audited or previously published.*

A LEADING VISION

2010 International ARC Awards
Mercomm, Inc.
Gold Award (category: Chairman's Letter - Real Estate Development)

Henderson Land's Annual Report 2009 won a Gold ARC Award in the category: Chairman's Letter - Real Estate Development. Considered the "Academy Awards" of annual reports, the ARC Awards is the largest international competition honouring outstanding achievement in annual reports receiving more than 1,900 entries from 27 countries. While honouring overall excellence, the Awards also encourages noteworthy and vital writing, as well as imaginative and original design.

Légende Royale (The Beverly Hills Phase 3)

Légende Royale exemplifies Henderson Land's commitment to creating green and healthy living environments that contribute positively to the quality of life of the community.

- *Unique peninsula location*
- *Exclusive use of Italian super yacht "The Beverly" for residents*
- *1.8 million square feet green and leisure space including a grand clubhouse and other recreational facilities*
- *350-metre indoor mini-racecar track unique among Hong Kong residences*

Dr The Honourable Lee Shau Kee, GBM
Chairman and Managing Director

Dear Shareholders

On behalf of your Board, I am pleased to present my report on the operations of the Group for the financial year ended 31 December 2010.

Overview

Including the fair value change (net of non-controlling interests and deferred taxation) of investment properties, the Group profit attributable to equity Shareholders for the year ended 31 December 2010 was HK$15,820 million. Compared with the Group profit attributable to equity Shareholders of HK$15,465 million (as restated) for the 18-month period ended 31 December 2009, this represented an increase of HK$355 million or 2%. Earnings per share were HK$7.32 (HK$7.20 (as restated) for the 18-month period ended 31 December 2009).

Hong Kong property business

During the year, the Group made significant headway in the expansion of its land bank in Hong Kong. Going forward, the Group intends to intensify its efforts not only in expanding its land bank but also in expediting its programme of sales/pre-sales, as summarized below:

Note		Expected year of sales launch (million sq.ft.) 2011	2012	2013	2014 or onwards	Total (million sq.ft.)
1	Stocks and other projects pending sales	1.69	–	–	–	1.69
2	Newly acquired urban redevelopment projects of old buildings	0.07	0.56	1.04	0.11	1.78
3	Existing urban redevelopment projects of old buildings	–	–	–	1.84	1.84
4	Wu Kai Sha development project converted from agricultural land	–	0.44	1.23	–	1.67
5	Tai Tong Road development project converted from agricultural land	–	1.02	–	–	1.02
6	Wo Shang Wai	–	–	–	0.89	0.89
	Total:	**1.76**	**2.02**	**2.27**	**2.84**	**8.89**

Note 1: In 2011, the Group plans to embark on the sales launch of a number of residential developments including The Gloucester in Wanchai, 58-66 Boundary Street in Mongkok and La Verte in Fanling. Together with the completed stocks and other projects pending sales, a total of over 1.69 million square feet in attributable residential gross area will be available for sale.

Note 2: 23 urban redevelopment projects, including 6 projects with entire ownership and 17 projects with ownership of over 80%, have been successfully acquired with 80% or up to entire ownership. The total acquisition costs for these 23 projects are estimated at about HK$7,000 million, or an average land cost of approximately HK$3,900 per square foot of GFA based on the expected total attributable gross floor area (GFA) of 1.78 million square feet in future redevelopment upon completion of acquisition, whilst building plans for some of these projects have been approved. In addition, completion of a redevelopment is expected to occur, on average, in the second year after the year in which the redevelopment is to be launched for pre-sale.

Note 3: The Group has a total of 9 existing projects under redevelopment or conversion into other purposes, such as the site at 14-30 King Wah Road, North Point, and the large-scale residential joint-venture project at Yau Tong Bay, Kowloon which would provide about 1.84 million square feet in attributable gross floor area for commercial and residential use in the urban areas.

Note 4: 1.67 million square feet in attributable GFA of development land from conversion of Sha Tin Town Lot 502, Wu Kai Sha (with total land cost of HK$3,509 per square foot of GFA) is being developed with its first phase of development of approximately 0.44 million square feet in attributable GFA, which is due for completion in the fourth quarter of 2012, expected to be launched for pre-sales in 2012. The remaining 1.23 million square feet in attributable GFA from its subsequent phases of development would be available for pre-sales from 2013 onwards.

Note 5: 930,000 square feet in attributable GFA of development land from conversion of Lot 5369, DD116 at Tai Tong Road, Yuen Long (with total land cost of HK$2,291 per square foot of GFA) is being developed. The whole project, with the total attributable GFA enlarged to 1.02 million square feet upon successful land-use conversion of its adjacent land-lot, would be available for pre-sale in 2012 with the scheduled completion by the end of 2012.

Note 6: Terms (except the land premium) for the land-use conversion of the wetland restoration and residential project in Wo Shang Wai, Yuen Long with attributable GFA of 895,000 square feet have been agreed.

In addition to the above projects, the acquisition of another 45 urban redevelopment projects of old buildings, as well as building plan applications for most of them, are in progress and are expected to provide total attributable GFA of approximately 5.5 million square feet upon completion of their acquisition. Together with the 23 urban redevelopment projects of old buildings as mentioned in the above Note 2, a total attributable GFA of about 7.3 million square feet will be added to the Group's development land bank upon successful completion of the acquisition of all the 68 projects.

The Group's agricultural land reserve increased to 40.6 million square feet in site area at 31 December 2010. Included in such agricultural land reserve are sites situated in Wu Nga Lok Yeung, Ping Che and Kwu Tung North of the "North East New Territories New Development Areas", as well as "Hung Shui Kiu New Development Area" with preliminary estimated attributable GFA totaling 17 million square feet against a total land area of 9.1 million square feet.

Mainland property business

In addition to having an enlarged completed investment property portfolio of 6.5 million square feet, the Group also held a land bank with enormous development potential, with the total attributable gross floor area increased to 150.4 million square feet at 31 December 2010, spread across the prime cities and the second tier cities in mainland China.

The austerity policies for the mainland property market will remain intact in 2011. The measures unveiled at the beginning of this year reaffirmed that credit tightening, particularly on purchases for investment and speculation, would persist, whilst greater flexibility would be applied in different cities in the execution of housing and credit policies with due regard to actual situations. The consecutive increases in reserve requirement ratio by the People's Bank of China, as well as interest rate hike, clearly demonstrated a strong determination to curb inflation. The gradual introduction of these policy initiatives is expected to cause some intermittent and short-term impact to the property market but in the long run, they are conducive to stabilizing the economy and development of the property sector.

The Group's residential developments are concentrated in the second and third-tier cities and their sales volume, despite the probable ripples as a result of mainland austerity policy shift, is backed by strong demand from local home-buyers who are eager to purchase their first flats for own use. It is believed that such huge purchasing power that has accumulated would be released to the market once flexibility is allowed in the execution of the policies. The second and third-tier cities are still on the track of rapid development and the extensive development of inter-city high-speed rails and intra-city railway networks would sustain stronger economic growth for the surrounding regions, in particular second and third-tier cities. On the back of their unique environment, those cities can focus on the development of certain priority industries and create a wide variety of employment opportunities. The increasing urbanization, as a result, will also bring about an uplift to the growth potential of their property markets.

Henderson Metropolitan, Huangpu District, Shanghai

On the property investment front in mainland China, the scheduled completion of the project at Lot 147, Tianmu Road West in Shanghai by the end of 2011 will expand the Group's mainland rental portfolio by 410,000 square feet to 6.9 million square feet in gross floor area. Together with the increasing contributions from the newly-completed properties such as World Financial Centre in Beijing, as well as the Centro and Henderson Metropolitan in Shanghai, rental income in mainland China will increase substantially.

Following the expansion of our headquarters in Shenzhen, the Group will push ahead in earnest with the localization policy, the cross-fertilization of ideas between Hong Kong and mainland China, and the strengthening of inter-departmental communications. This will ensure the Group's products can keep abreast of the requirements of local home-buyers and are well received in the market. After the successful launch of the first phase of a development, the construction of its subsequent phases can be expedited as a result of standardization in design layout, whilst economies of scale and product quality can also be significantly improved. With the standardization of material sourcing and landscape design, construction progress and cost can be better controlled, raising the Group's competitiveness even further.

Environmental protection and energy efficiency

The Group maintained its commitment to social responsibility by building environmentally-friendly properties for our community. As a constituent of the Hang Seng Corporate Sustainability Index and the Hang Seng (Mainland and Hong Kong) Corporate Sustainability Index, the Group's emphasis on quality and sustainable development has continued to be recognized. From the Group's Two ifc which was completed in 2003 with the 'Excellent' rating (being the highest) in the Hong Kong Building Environmental Assessment Method (HK-BEAM), many of the Group's residential buildings, for example, Grand Promenade and 39 Conduit

Road, and commercial complexes in town, for example, One ifc have obtained top honours in the assessments under HK-BEAM. Building on such remarkable success in promoting sustainable development in Hong Kong, the Group again led its peers with the World Financial Centre, an international Grade-A office complex, receiving the Certificate of Merit at the "Quality Building Award 2010" and becoming the first project in Beijing to achieve the highest possible rating of "Platinum" under the globally-recognized Leadership in Energy and Environmental Design (LEED) of the United States. Currently, World Financial Centre is the largest LEED certified Platinum building in the world. In order to create these sustainable buildings, a wide array of eco-friendly measures have been adopted in each stage of development; these green efforts are elaborated in the respective sections of the Business Review below.

Being committed to investing in and building top quality property developments, the Group has accomplished numerous iconic commercial and residential projects in both Hong Kong and mainland China and established a sound reputation for its brand over the years. Honoured by a panel of leading media such as China Network Television and CCTV-2 (financial channel) with the award of "CCTV Annual Famous Brand in China 2010", the Group will continue to strive for excellence and offer quality products by creating uniquely-designed buildings in line with the ever-changing market needs. The ideas of quality excellence, eco-friendliness and healthy living are embraced in the design of our residential projects, leading to the development of communities with advanced green features and healthy living condition and providing a harmonious balance between living space and natural environment.

Profit and Net Assets Attributable to Shareholders

The Group underlying profit attributable to equity shareholders (before the fair value change of investment properties) for the year ended 31 December 2010 amounted to HK$5,042 million, representing a decrease of HK$985 million or 16% from HK$6,027 million (as restated) for the 18-month period ended 31 December 2009. Based on the underlying profit, the earnings per share were HK$2.33 (HK$2.81 (as restated) for the 18-month period ended 31 December 2009). Such decrease was mainly due to (i) an accounting period of 12 months currently being reported on when compared with an extended accounting period of the 18-month period ended 31 December 2009; and (ii) the Group's attributable share of loss on cancellation of property sales during the year in the amount of HK$864 million as detailed in the Financial Review section.

Including the fair value change (net of non-controlling interests and deferred taxation) of investment properties, the Group profit attributable to equity shareholders for the year ended 31 December 2010 was HK$15,820 million. Compared with the Group profit attributable to equity shareholders of HK$15,465 million (as restated) for the 18-month period ended 31 December 2009, this represented an increase of HK$355 million or 2%. Earnings per share were HK$7.32 (HK$7.20 (as restated) for the 18-month period ended 31 December 2009). Such increase in profit attributable to equity shareholders was mainly due to the increase in the Group's attributable share of fair value change of the investment properties held by the Group's subsidiaries, associates and jointly controlled entities in the amount of HK$1,340 million for the year ended 31 December 2010 when compared with the 18-month period ended 31 December 2009.

For the reason that the last financial period of the Group being reported on relates to an accounting period of 18 months ended 31 December 2009, it would be meaningful to evaluate the Group's financial performance for the year ended 31 December 2010 against that for the corresponding period of 12 months ended 31 December 2009. Where relevant and appropriate, such evaluation is referred to in the following paragraphs. It should be noted that the figures for the corresponding period of 12 months ended 31 December 2009 referred to in the following paragraphs have not been audited or previously published.

The Group underlying profit attributable to equity shareholders (before the fair value change of investment properties) for the year ended 31 December 2010 of HK$5,042 million represented an increase of HK$417 million, or 9%, over and above HK$4,625 million for the corresponding period of 12 months ended 31 December 2009. Based on the underlying profit, the Group earnings per share of HK$2.33 for the year ended 31 December 2010 represented an increase of HK$0.18, or 8%, over and above HK$2.15 for the corresponding period of 12 months ended 31 December 2009. Such increase was mainly due to a net gain of HK$1,007 million during the year arising from the Group's disposal of the entire issued share capital of Sin Cheng Holdings Pte Ltd, an indirect wholly-owned subsidiary which owns 50% equity interest in Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre (details of which are referred to in the paragraph headed "Hotel and Retailing Operations" below); and the gain on disposal of HK$275 million arising from the Group's disposal of self-use properties, which were partially offset by the increase in the Group's share of loss on cancelled property sales attributable to equity shareholders of HK$759 million during the year.

The fair value change (net of non-controlling interests and deferred taxation) of investment properties for the year ended 31 December 2010 amounted to HK$10,778 million, which represented an increase of HK$1,124 million, or 12%, when compared with the fair value change (net of non-controlling interests and deferred taxation) of investment properties of HK$9,654 million for the corresponding period of 12 months ended 31 December 2009. Including the fair value change (net of non-controlling interests and deferred taxation) of investment properties, the Group profit attributable to equity shareholders of HK$15,820 million for the year ended 31 December 2010 represented an increase of HK$1,541 million, or 11%, over and above HK$14,279 million for the corresponding period of 12 months ended 31 December 2009. On such basis, the Group earnings per share of HK$7.32 for the year ended 31 December 2010 represented an increase of HK$0.67, or 10%, over and above HK$6.65 for the corresponding period of 12 months ended 31 December 2009.

At 31 December 2010, the net asset value attributable to equity shareholders amounted to HK$159,038 million (or HK$73.09 per share), 12% higher than the amount of HK$142,228 million (or HK$66.24 per share) (as restated) at 31 December 2009. Net debt (which includes the amount of HK$12,976 million due to a wholly owned subsidiary of Henderson Development Limited which is controlled by the private family trusts of Dr Lee Shau Kee) amounted to HK$44,818 million (2009: HK$27,710 million (as restated)) with the gearing ratio at 28.2% (2009: 19.5% (as restated)).

Dividends

Your Board recommends 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 Friday, 29 April 2011, and such final dividend will not be subject to any withholding tax in Hong Kong. Including the interim dividend of HK$0.30 per share already paid, the total dividend for the year ended 31 December 2010 will amount to HK$1.00 per share (18-month period ended 31 December 2009: HK$1.30 per share).

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 the proposed final dividend, but will rank pari passu in all other respects with the existing shares. The circular containing details of the Scrip Dividend Scheme and the relevant election form will be 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 of the Company 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 Friday, 10 June 2011.

Business Review - Hong Kong

Property Sales

Driven by ample global liquidity as a result of the second round of quantitative easing by the United States, as well as relaxed monetary policies adopted by a number of European countries, the year under review began with the local property market continuing to ride on the cyclical upturn, whilst the positive land auction results repeatedly achieved during the year had further fuelled market sentiments. In order to curb excessive property speculation and enhance risk management of mortgage lending by local banks, the Hong Kong SAR Government announced a series of cooling measures such as lowering the mortgage loan-to-value ratio and increasing stamp duty, as well as "nine rules and twelve regulations" which governed the transparency and fairness in pre-sales and show flats. New measures further introduced in mid-November 2010, including the levy of Special Stamp Duty of up to 15% on residential properties resold within two years from purchase and the temporary suspension of real estate from the permissible investment asset classes under the Capital Investment Entrant Scheme, were effective in combating short-term speculation. However, with strong fundamentals such as the prevailing low mortgage interest rates and the tight near-term housing supply outlook, the confidence of both end-users and investors is still intact with the transaction volume having picked up gradually. Property prices, as a result, have remained buoyant.

The reported transacted prices of some of the **other developers'** luxury apartments and houses, as recently achieved in the primary or secondary market amid the heated market sentiment, are listed below:

Properties of Other Developers	Date of Sale	Area (Approx.) (sq.ft.)	Transacted price (Approx.) (HK$ million)	Average price per square foot (Approx.) (HK$)
37B Island Road	25/01/2011	7,000	440	62,883
37C Island Road	16/12/2010	7,000	435	62,143
House 8, Severn 8	14/03/2010	4,650	280	60,215
House 5, 36 Repulse Bay Road	08/10/2010	4,260	250	58,685
House 2, 74 Mount Kellett Road	16/08/2010	4,200	230	56,310
Penthouse A, Belgravia, South Bay Road	21/10/2010	3,675	182	49,741
36/F, The Albany	22/02/2010	6,830	338	49,488
51/F, Branksome Crest	22/03/2010	4,620	203	43,939

Some other cities in the Asia Pacific region, such as Singapore and Macau, have similarly experienced an influx of foreign capital and keen buying response from local buyers and they have separately rolled out cooling measures during the year so as to rein in the soaring property prices.

The Group was active during the year in promoting the sale of a number of residential developments including the project at Headland Road in Island South, Légende Royale - The Beverly Hills (Phase 3) in Tai Po, Hill Paramount in Shatin, Green Lodge in Yuen Long and Jade Suites in Jordan with satisfactory response from buyers. Some popular residential projects such as 39 Conduit Road, The Beverly Hills (Phase 1), 8 Royal Green, The Sparkle, Cité 33, Grand Waterfront and Grand Promenade were also re-launched for sale. Altogether, a total of 572,507 square feet in attributable gross floor area of residential properties were sold. Together with the disposal of approximately 96,410 square feet of industrial/office space, the Group sold an attributable HK$5,423 million worth of properties in Hong Kong for the year ended 31 December 2010 (before taking into account the effect of cancelled sales, including those of the 20 units at 39 Conduit Road, as referred to below).

For the 18-month period ended 31 December 2009, the turnover and profit after taxation in respect of the sale of 25 units at 39 Conduit Road, a luxury property development in which the Group has a 60% interest, were recognized in accordance with accounting policies of the Group consistently applied and which are in line with accounting principles generally accepted in Hong Kong. Among these units, completion of the sale and purchase of four units took place in mid-June 2010 and the Group received in full the amounts of purchase price receivable, together with about HK$11 million as interest for delayed completion. There was no reduction in purchase price, nor the provision of finance for those four units. Written requests were received from the respective purchasers for the cancellation of the sale and purchase agreements for the other 20 units. In accordance with the terms of the standard form of sale and purchase agreement under the Consent Scheme administered by the Government relating to pre-sale of residential units in uncompleted developments, the Group agreed to cancel the sale and purchase in respect of these 20 units and forfeited the deposit of 5% of the purchase price with the rest of the payments refunded to the purchasers. A loss of approximately HK$734 million attributable to the Group was recorded as a result of the cancellation of the sale of these 20 units. The Group agreed to cancel the sale and purchase of these units so as to avoid protracted and costly legal proceedings to claim against the original purchasers and enable the Group to offer them for sale again immediately if it so wished.

It has to be pointed out that property prices depend mainly on the supply and demand at a particular point in time, in much the same way as the price for a commodity is fixed. In the case of properties, additional considerations, such as the location of the property, the quality of the design, material and finish, and the facilities provided, would have a great impact on their pricing. Other factors that have a bearing are the low interest rate environment and inflation expectations which would prompt investors to acquire properties for investment or as a hedge against inflation. The sale of the 24 units in 39 Conduit Road was normal bona fide transactions legally conducted with unrelated parties at arm's length. It is regrettable, however, that such sale became the subject of unjustified and incorrect criticisms which could have been prompted by high property prices.

11 - 12 Headland Road, Island South, Hong Kong

As evidence of the quality of 39 Conduit Road, a semi-duplex apartment (unit B on Level 61) was sold during the year at the price of HK$60,000 per square foot, a record price for luxury apartments. Further evidence of the quality of the Group's developments can be found at 11 and 12A Headland Road, where two houses with gross floor area of 13,033 square feet and 10,093 square feet respectively were sold during the year at a price of HK$50,641 and HK$47,360 respectively per square foot. As mentioned above, high prices were also repeatedly achieved by other luxury developments.

The following development projects were completed during the financial year:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	Attributable gross floor area (sq.ft.)
1.	Jade Suites 600 Canton Road, Jordan	3,644	32,795	Commercial/ Residential	100.00	32,795
2.	La Verte 283 Jockey Club Road, Fanling	42,884	34,308	Residential	100.00	34,308
					Total:	**67,103**

At 31 December 2010, the Group had over 760 residential units available for sale mainly from the following major property development projects:

(1) Major development projects offered for sale:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use purpose	Group's interest (%)	No. of residential units unsold & pending sale at 31 December 2010	Gross area of remaining unsold residential units (sq.ft.)
1.	Casa Marina I 28 Lo Fai Road, Tai Po	283,200	226,561	Residential	100.00	28	90,165
2.	Casa Marina II 1 Lo Ping Road, Tai Po	228,154	182,545	Residential	100.00	46	137,952
3.	The Beverly Hills – Phase 1 23 Sam Mun Tsai Road, Tai Po	982,376 *(Note 1)*	1,165,240 *(Note 1)*	Residential	90.10	94 *(Note 2)*	306,167 *(Note 2)*
4.	The Sparkle 500 Tung Chau Street Cheung Sha Wan	35,629	320,659	Commercial/ Residential	100.00	11	15,518
5.	8 Royal Green 8 Ching Hiu Road, Sheung Shui	45,779	228,860	Residential	100.00	7	8,786
6.	39 Conduit Road Mid-Levels	56,748	229,255	Residential	60.00	43 *(Note 3)*	145,321 *(Note 3)*
7.	Hill Paramount 18 Hin Tai Street, Shatin	95,175	358,048	Residential	100.00	147	340,219
8.	Green Lodge Tong Yan San Tsuen, Yuen Long	78,781	78,781	Residential	100.00	27	51,414
9.	Légende Royale The Beverly Hills – Phase 3 23 Sam Mun Tsai Road, Tai Po	982,376 *(Note 1)*	1,165,240 *(Note 1)*	Residential	90.10	108	502,407
10.	11,12,12A,12B Headland Road Island South	43,492	32,619	Residential	44.42	2	20,142
11.	Jade Suites 600 Canton Road, Jordan	3,644	32,795	Commercial/ Residential	100.00	17	10,722
					Sub-total:	**530**	**1,628,813**
					Gross area attributable to the Group:		**1,479,442**

(2) Projects pending sale or pre-sale:

	Project name and location	Site area (sq.ft.)	Gross floor area (sq.ft.)	Land-use Purpose	Group's interest (%)	Residential No. of units	Residential Gross area (sq.ft.)
1.	La Verte 283 Jockey Club Road Fanling	42,884	34,308	Residential	100.00	16	34,308
2.	The Gloucester 212 Gloucester Road Wanchai	11,545	113,977	Residential	100.00	177	113,977
3.	58-66 Boundary Street Kowloon	6,750	57,498	Residential	100.00	41	57,498
					Sub-total:	**234**	**205,783**
					Gross area attributable to the Group:		**205,783**
					Total saleable residential units and gross area from the major development projects:	**764**	**1,834,596**
					Total gross area attributable to the Group:		**1,685,225**

Note 1: The total site area and the total gross floor area for the whole project of The Beverly Hills are 982,376 square feet and 1,165,240 square feet, respectively.
Note 2: In addition, there are 34 houses in this phase of The Beverly Hills held for investment purpose.
Note 3: In addition, there are 17 residential units held for investment purpose.

Land Bank

At 31 December 2010, the Group had a land bank in Hong Kong with a total attributable gross floor area of approximately 21.3 million square feet, made up as follows:

	Attributable gross floor area (million sq.ft.)
Properties held for or under development	9.3
Stock of unsold property units	1.6
Completed investment properties	9.4
Hotel properties	1.0
Total:	**21.3**

In addition, the Group held rentable car parking spaces with a total area of around 2.8 million square feet.

The Group remains optimistic about the prospects for the Hong Kong property market and has therefore continued to engage in the acquisition of old buildings in the urban areas for redevelopment in tandem with the Government's policy initiative on promoting urban renewal. At the same time, the Group's agricultural land reserve includes significant holdings in the new development areas as designated by the Government. Both of these sources are expected to bring about a significant increase in the Group's development land bank in future years. Since the acquisition cost of old buildings and the premium payable for agricultural land-use conversion compare favourably with the transacted prices of land sites offered at public auctions, such approach to land banking has the advantage of low cost and therefore a higher contribution to earnings.

(I) Redevelopment of old buildings in the urban areas

A. Newly-acquired projects

As mentioned above, the Group believes that the redevelopment of old buildings in the urban areas will provide a source of land supply which requires lower cost and hence yields higher margin. Since 2009, a number of old building projects have been acquired and efforts are continuing to source additional old properties for redevelopment. A summary of the projects which have been acquired is as follows:

	Project name and location	Site area (sq.ft.)	Expected gross floor area in future redevelopment (sq.ft.)	Expected year of sales launch (Note 1)
A.	**Projects with ownership fully consolidated:**			
1.	30-38 Po Tuck Street and 36 Clarence Terrace Hong Kong *(Note 2)*	7,310	61,103	2012
2.	23-33 Shing On Street Sai Wan Ho, Hong Kong *(Note 2)*	4,699	39,942	2012
3.	186-188 Tai Po Road Sham Shui Po, Kowloon *(Note 2)*	8,234	70,242	2011
4.	75-81 Sa Po Road Kowloon City, Kowloon	3,582	32,238	2012
5.	Keung Fu Building 45-49 Boundary Street and 189-195 Sai Yeung Choi Street North Kowloon *(Note 2)*	5,880	52,919	2012
6.	2-12 Observatory Road Tsim Sha Tsui, Kowloon *(Note 3)*	5,415	64,990	2013
	Sub-total:	**35,120**	**321,434**	

	Project name and location	Site area (sq.ft.)	Expected gross floor area in future redevelopment (sq.ft.)	Expected year of sales launch (Note 1)
B.	**Projects with the percentage of ownership reaching or exceeding the compulsory sale application threshold for redevelopment:**			
7.	Western Court 450-456G Queen's Road West Hong Kong *(Note 2)*	29,875	268,482	2013
8.	1-7A Gordon Road Tin Hau, Hong Kong *(Note 2)*	7,423	61,280	2013
9.	62-72 Main Street Ap Lei Chau, Hong Kong	5,973	50,771	2013
10.	89-95 Shek Pai Wan Road Aberdeen, Hong Kong	3,300	28,050	2013
11.	Matauwei Apartments 57-69 Ma Tau Wai Road 2-20 Bailey Street and 18A-30 Sung Chi Street To Kwa Wan, Kowloon *(Note 2)*	23,031	207,279	2013
12.	Hoi On Building 11-33 Li Tak Street Tai Kok Tsui, Kowloon *(Note 2)*	19,600	166,600	2012
13.	162-168 Pau Chung Street and 50-64 Ma Tau Kok Road To Kwa Wan, Kowloon	11,700	105,300	2012
14.	186-198 Fuk Wing Street Sham Shui Po, Kowloon	7,500	62,475	2012
15.	Hillwood Apartments 38-40A Hillwood Road Jordan, Kowloon *(Note 3)*	4,586	55,032	2013

	Project name and location	Site area (sq.ft.)	Expected gross floor area in future redevelopment (sq.ft.)	Expected year of sales launch (Note 1)
16.	456-462A Sai Yeung Choi Street North Sham Shui Po, Kowloon	12,300	104,550	2014
17.	1-19 Nam Cheong Street and 198 Tung Chau Street Sham Shui Po, Kowloon *(Note 2)*	8,625	77,626	2013
18.	565-577 Fuk Wah Street Cheung Sha Wan, Kowloon	7,350	58,800	2013
19.	342-348 Un Chau Street Cheung Sha Wan, Kowloon	4,579	38,922	2013
20.	11-19 Wing Lung Street Cheung Sha Wan, Kowloon	6,510	58,590	2013
21.	Chu Yau Lan Industrial Building 63 Wing Hong Street Cheung Sha Wan, Kowloon *(Note 3)*	3,150	37,800	2012
22.	196-202 Ma Tau Wai Road To Kwa Wan, Kowloon	4,905	41,693	2013
23.	79-83 Fuk Lo Tsun Road Kowloon City, Kowloon	3,630	30,855	2013
	Sub-total:	**164,037**	**1,454,105**	
	Total for 23 projects with entire or majority ownership:	**199,157**	**1,775,539**	

Note 1: Completion of a redevelopment is expected to occur in the second year after the year in which the redevelopment is to be launched for pre-sale.

Note 2: Building plan already approved.

Note 3: With the exception of project numbers 6, 15 and 21 above, which are intended to be redeveloped into office or industrial/office buildings, all of the above projects are designated for commercial and residential uses.

The total costs of acquisition for the above 23 urban projects are estimated at about HK$7,000 million, translating into an average land cost of approximately HK$3,900 per square foot of gross floor area.

Further acquisitions, involving another 45 projects which are located in various highly accessible urban districts as noted below, are in progress and they are expected to provide an additional total attributable gross floor area of approximately 5.5 million square feet upon successful completion of their acquisition and redevelopment:

			Land area (sq.ft.)	Expected gross floor area in future redevelopment (sq. ft.)
1.	**Hong Kong**			
	Central & Western		121,324	952,957
	Island East		80,003	747,447
	Causeway Bay		32,387	314,436
	Aberdeen		23,017	208,780
	Wanchai		8,084	72,756
		Sub-total:	**264,815**	**2,296,376**
2.	**Kowloon**			
	Hung Hom		121,750	1,095,750
	Tai Kok Tsui		114,939	988,852
	Homantin		79,430	643,013
	Sham Shui Po		50,141	448,979
		Sub-total:	**366,260**	**3,176,594**
		Total:	**631,075**	**5,472,970**

Together with the above-mentioned 23 projects in which majority ownership is already held, the successful acquisition of these additional 45 projects will add to the Group a total of 68 urban redevelopment projects, with an estimated total attributable gross floor area of about 7.3 million square feet.

B. Existing projects

In addition to the above newly-acquired urban redevelopment projects, the Group had a total of 9 existing projects under planning for redevelopment or conversion into other purposes which would provide about 1.84 million square feet in attributable gross floor area for commercial and residential use in the urban areas. With approval having been obtained from the Town Planning Board for the residential development at the site at 14-30 King Wah Road, North Point, the Group has applied to the Government for its land-use conversion. The site is expected to be developed into twin harbourfront towers comprising approximately 224,000 square feet in total residential gross floor area. For the large-scale residential joint-venture development project at Yau Tong Bay, Kowloon, a master layout plan has been submitted to the Town Planning Board for review. It is expected that the project will provide a total developable gross floor area of approximately 4.4 million square feet, of which about 810,000 square feet is attributable to the Group as shown in the table below:

		Site area (sq.ft.)	Expected gross floor area in future development (sq. ft.)	Group's Interest (%)	Expected attributable gross floor area in future development (sq. ft.)
1.	19-21 Wong Chuk Hang Road Hong Kong	14,298	214,303	50.00	107,152
2.	45-47 Pottinger Street / Ezra's Lane, Central Hong Kong	9,067	94,190	19.095	17,986
3.	25 La Salle Road Kowloon Tong, Kowloon *(Note 1)*	13,467	24,241	100.00	24,241
4.	29 Lugard Road The Peak, Hong Kong	23,653	11,824	100.00	11,824
5.	8 Wang Kwong Road Kowloon Bay, Kowloon *(Note 2)*	21,528	174,789	100.00	174,789
6.	24 Lee Chung Street, Chai Wan, Hong Kong	11,590	173,842	100.00	173,842
7.	59-61 Wing Hong Street / 88-92 King Lam Street Cheung Sha Wan, Kowloon	24,854	298,248	100.00	298,248
8.	14-30 King Wah Road North Point, Hong Kong	37,566	224,801	100.00	224,801
9.	Yau Tong Bay Kowloon	878,962	4,394,808	18.4357	810,214
	Total:	**1,034,985**	**5,611,046**		**1,843,097**

Note 1: The site was previously held by the Group as a serviced apartment building.

Note 2: Under the Government's new revitalization policy, the old industrial building (i.e., Big Star Centre) at this site may be converted into a hotel free of payment of any fee for the land-use conversion; the related terms are pending Government's finalization.

(II) Agricultural land

With agricultural land reserve of 40.6 million square feet in land area at the year end, the Group continued to have the largest holding of such land among all property developers.

In parallel with the expansion of agricultural land reserve, the Group has taken active steps to apply for the land-use conversion of a number of sites, with significant progress made over the recent years.

Further to the finalization of the land-use conversion for the site at Sha Tin Town Lot 502, Wu Kai Sha (with the total land cost of HK$3,509 per square foot, including land premium of HK$3,253 per square foot, of gross floor area based on its total developable gross floor area of approximately 2.95 million square feet, of which 56.75% or about 1.67 million square feet is attributable to the Group) in the preceding year, the land premium for the residential site at Lot 5369, DD 116 at Tai Tong Road, Yuen Long, was also finalized with the total sum of HK$2,334.8 million fully settled during the year. Based on the expected total gross floor area of approximately 1.175 million square feet in development (of which 79.03% or approximately 930,000 square feet is attributable to the Group), the land premium per square foot of gross floor area was approximately HK$1,987 with the total land cost per square foot of gross floor area amounted to approximately HK$2,291. Meanwhile, an adjacent land lot was also in the final stage of land-use conversion and upon finalization of the land premium, it will be merged with the above development at Tai Tong Road, improving the scalability and expanding the total gross floor area of this residential project to approximately 1.3 million square feet, of which 79.03% or approximately 1.02 million square feet is attributable to the Group.

Construction is underway for both sites at Wu Kai Sha, Ma On Shan and Tai Tong Road, Yuen Long and the Group will expedite their developments, as well as their sales/pre-sales programs. The project of Wu Kai Sha, Ma On Shan will be completed in phases and its first phase of development of approximately 0.44 million square feet in attributable GFA, which is due for completion in the fourth quarter of 2012, is expected to be launched for pre-sales in 2012. The remaining 1.23 million square feet in attributable GFA from its subsequent phases of development would be available for pre-sales from 2013 onwards. Meanwhile, the whole project of Tai Tong Road, Yuen Long, with the total attributable GFA of approximately 1.02 million square feet upon successful land-use conversion of the above-mentioned adjacent land-lot, would be available for pre-sales in 2012 with scheduled completion by the end of 2012.

For the wetland restoration and residential project in Wo Shang Wai, Yuen Long, which is planned to be developed into a low-density luxury residential development with a total gross floor area of approximately 895,000 square feet against a total land area of about 2.3 million square feet, the terms for the land-use conversion have been agreed while the premium offer is the subject of an appeal to the Government.

Meanwhile, the Group will actively work in tandem with the Government's development plans and once they are finalized, the Group will pursue land-use conversion of sites situated in the "North East New Territories New Development Areas" and "Hung Shui Kiu New Development Area", with a view to broadening the source of development land:

			Total land area (sq.ft.)	Preliminary estimated attributable gross floor area (sq. ft.)
1.	North East New Territories New Development Areas			
	- Wu Nga Lok Yeung		2,700,000	6,000,000
	- Ping Che		2,000,000	1,500,000
	- Kwu Tung North		400,000	1,500,000
		Sub-total:	**5,100,000**	**9,000,000**
2.	Hung Shui Kiu New Development Area		4,000,000	8,000,000
		Total:	**9,100,000**	**17,000,000**

For the Group's 50%-owned residential development at Nam Sang Wai with an approved total gross floor area of approximately 3.3 million square feet, the Group will appeal against the recent judgment from the Town Planning Board based on the previous approved development scheme. At the same time, the Group will maintain a close dialogue with the general public, the Government, and environmental groups with a view to achieving an outcome acceptable to all parties.

(III) Property sales programme

In 2011, the Group plans to embark on the sales launch of a number of residential developments including The Gloucester in Wanchai, 58-66 Boundary Street in Mongkok and La Verte in Fanling. Together with the completed stocks and other projects pending sales, a total of over 1.69 million square feet in attributable residential gross area will be available for sale. Meanwhile, significant portions of the attributable GFA of 1.78 million square feet from the above 23 urban redevelopment projects of old buildings in which entire or majority ownership is already held, and of the total attributable GFA of 2.69 million square feet from the projects at Wu Kai Sha, Ma On Shan and Tai Tong Road, Yuen Long, are expected to be ready for pre-sale at the earliest in 2012 and 2013. In addition to the above newly-acquired urban redevelopment projects of old buildings, the Group had a total of 9 existing projects under redevelopment or conversion into other purposes which would provide about 1.84 million square feet in attributable gross floor area for commercial and residential use in the urban areas as noted below:

		Expected year of sales launch (million sq.ft.)				Total (million sq.ft.)
		2011	**2012**	**2013**	**2014 or onwards**	
1	Stocks and other projects pending sales	1.69	–	–	–	1.69
2	Newly acquired urban redevelopment projects of old buildings *(Note)*	0.07	0.56	1.04	0.11	1.78
3	Existing urban redevelopment projects of old buildings	–	–	–	1.84	1.84
4	Wu Kai Sha development project converted from agricultural land	–	0.44	1.23	–	1.67
5	Tai Tong Road development project converted from agricultural land	–	1.02	–	–	1.02
6	Wo Shang Wai	–	–	–	0.89	0.89
	Total:	**1.76**	**2.02**	**2.27**	**2.84**	**8.89**

Note: Completion of a redevelopment is expected to occur, on average, in the second year after the year in which the redevelopment is to be launched for pre-sale.

Investment Properties

At 31 December 2010, the Group held a total attributable gross floor area of approximately 9.4 million square feet in completed investment properties in Hong Kong, comprising 4.5 million square feet of commercial or retail space, 3.4 million square feet of office space, 0.9 million square feet of industrial/office space and 0.6 million square feet of residential and apartment space. This leasing portfolio is geographically diverse, with 25% in Hong Kong Island, 33% in Kowloon and the remaining 42% in the New Territories (with most of the latter being shopping malls).

Since the turn of the year, robust recovery has been seen across all property sectors in the leasing market and the Group's attributable gross rental income in Hong Kong for the year ended 31 December 2010, including that derived from the investment properties owned by the Group's associates and jointly controlled entities, increased by 8% year-on-year to HK$4,398 million, whilst pre-tax net rental income was HK$3,147 million, representing a growth of 9% over that for the 12 months ended 31 December 2009. At 31 December 2010, the leasing rate for the Group's core rental properties (including the portfolio of premium office and industrial premises in Kowloon East) stayed high at 94.5%.

Helped by a robust growth in mainland tourist spending and a revival in local consumption with the improved job market, Hong Kong's retail market staged a strong rebound in 2010 with double digit growth in local retail sales throughout the year. The ifc mall at Central was virtually fully let with a significant increase in rental income. The Group's other large-scale shopping malls in the new towns, including Metro City Phase III in Tseung Kwan O and City Landmark II in Tsuen Wan, were fully let, while Sunshine City Plaza in Ma On Shan, Citimall in Yuen Long, Metro City Phase II in Tseung Kwan O, Fanling Centre in Fanling and Shatin Plaza in Shatin also recorded nearly full occupancy by the end of the financial year.

Manulife Financial Centre, Kwun Tong, Hong Kong

Against a backdrop of upbeat business outlook, the expansion of existing businesses and new corporate set-ups, as well as buoyant hiring activities lent strong support to office demand in Hong Kong. The Group's quality office developments in the core areas, such as the ifc in Central, AIA Tower in North Point as well as ING Tower and Golden Centre in Sheung Wan, have all performed well with increased rents for both renewals and new lettings in most of the cases during the second half of 2010. The limited office space available for leasing in the central business district prompted some tenants to relocate to fringe areas and the Group's approximately 2,000,000-square-foot portfolio of newly-built premium office and industrial premises in Kowloon East benefited from this trend of office decentralization with the overall leasing rate surged from 60% at 31 December 2009 to 87% at 31 December 2010. AIA Financial Centre (formerly known as International Trade Centre) in San Po Kong, was 94% let at 31 December 2010 compared to 74% at 31 December 2009, while the leasing rate of Manulife Financial Centre in Kwun Tong increased from 66% at 31 December 2009 to 87% at 31 December 2010 and to 94% at 1 March 2011.

The sustained influx of overseas companies, as well as their expatriate staff, was also a key driver of leasing demand for luxury residences. With such resilient residential demand, coupled with limited availability of quality stock, the Group's serviced apartments and luxury residences have both performed well. The serviced suite hotel at Four Seasons Place, being the preferred choice for newly-arrived expatriate executives from the legal, banking and financial sectors, continued to achieve high occupancy and increased rents, whilst Eva Court at Mid-Levels also recorded satisfactory occupancy with higher rent for both renewals and new lettings. During the year, rental units in 39 Conduit Road, the Group's premier development in Mid-Levels, were launched for lease with very encouraging response.

The Group regularly upgrades its investment properties so as to stay ahead of the market and enhance their rental values. During the year, the facelift to Kowloon Building on Nathan Road as well as the facility upgrade for Golden Centre in Sheung Wan were completed. In order to further appeal to discerning office tenants with an eye on sustainability, a number of quality buildings such as Manulife Financial Centre are in the process of applying for certifications under the globally recognized HK-BEAM. Meanwhile, for the retail portfolio, the Group continued to stage innovative marketing activities and undertake renovation initiatives so as to attract more shoppers. Rentals for Trend Plaza in Tuen Mun, for instance, were bid up considerably following the completion of a major revamp at its South Wing, whilst renovation to the external wall of its North Wing is scheduled to kick off shortly. Refurbishment of Sunshine City Plaza in Ma On Shan has just commenced, whilst the planning of renovation works for Citimall in Yuen Long and City Landmark I in Tsuen Wan is currently in the pipeline.

Hotel and Retailing Operations

The recovering global economy, appreciation of most currencies against the Hong Kong dollar, as well as the further expansion of the scope of the Individual Visit Scheme by the Central Government, have all contributed to the record-breaking visitor arrivals to Hong Kong in 2010 - a significant improvement as compared with the preceding accounting period, when tourism was severely hit by the global financial crisis and H1N1 pandemic.

During the year, The Four Seasons Hotel continued to build its international reputation and win numerous prestigious accolades including Forbes five-star award for hotel and being named one of the top four hotels in the world by Institutional Investor magazine. Its signature Lung King Heen and Caprice restaurants also took two spots out of three restaurants in Hong Kong to have been awarded Three Michelin Stars in the latest Michelin Guide to Hong Kong and Macau 2011. With such premier services in an unmatched location at the Central waterfront, The Four Seasons Hotel recorded significant business growth along with the market recovery.

Newton Hotel Kowloon ceased its operation in June 2010 to make way for redevelopment into a residential property, whilst the remaining three Newton hotels owned by the Group, namely, the 362-room Newton Hotel Hong Kong, the 317-room Newton Inn North Point and the 598-room Newton Place Hotel, have all performed well with satisfactory improvement in both average room rates and occupancy. In order to capture the growing business opportunities from the niche market, a boutique hotel, with 92 suites and rooms covering a gross floor area of over 66,000 square feet, at 388 Jaffe Road, Wanchai, is scheduled for opening in the third quarter of 2012 and it will be operated by The Mira Hong Kong, a leading hip hotel in Hong Kong. By integrating state-of-the-art facilities and eco-friendly features into its design, this hotel is targeted at discerning travellers seeking individuality, style and personalized service.

Established in 1989 as a complementary business to the Group's shopping facilities, Citistore's retailing operation has developed into a network of five department store outlets and two "id:c" specialty stores in Hong Kong. On the back of positive consumption sentiment, Citistore recorded a satisfactory growth of 29% year-on-year to a total of HK$54 million in profit contribution during the year. In mainland China, the Group held, through its wholly-owned subsidiary, Sin Cheng Holdings Pte Ltd ("Sin Cheng"), interests in the jointly controlled entity, Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre which operates and manages department stores. In October 2010, the Group entered into an agreement with Intime Department Store (Group) Company Limited ("Intime", stock code: 1833) in relation to the sale of the Group's entire equity interest in Sin Cheng for a consideration of HK$1,612.5 million (subject to adjustment), which was satisfied by the issuance to the Group of 147,664,835 new Intime shares upon completion. The

Caprice, The Four Seasons Hotel Hong Kong transaction was completed on 22 December 2010, resulting in a net gain on disposal to the Company of approximately HK$1,007 million, with an approximately 7.73% equity interest of Intime held by the Group. Intime is developing as a renowned department store chain with investment in around 22 department stores and shopping centres across major cities in mainland China including Beijing, Wuhan, Xian, Hangzhou, Ningbo, Wenzhou and Jinhua.

Construction and Property Management

The Group aims to develop the finest properties, offering unparalleled quality and comfort to the users and their neighbourhoods. As part of this quality pledge, inter-departmental communication and stakeholder engagement are always encouraged so as to ensure that a quality and eco-conscious approach is adopted throughout all phases of a development project.

For a development project in the suburban area, the Group during the year worked with the Government, environmental groups and local villagers to conserve the ecology of the neighbouring 4.74 hectares of wetland, which was considered as a promising area for the protected habitats. Meanwhile, energy-efficient and sustainable features recommended by the LEED and BEAM Plus have been persistently integrated into the design of the Group's new developments, whilst waste and noise controlling measures have also been adopted during demolition and construction so as to minimize disruption to the surrounding communities. With such a committed approach to environmental protection and stringent monitoring of the whole construction process, the Group received numerous accolades including "Considerate Contractors Site Award" from the Development Bureau of the Hong Kong SAR Government.

Apart from sustainability, the Group also places great importance on the cost-effectiveness in the procurement of building materials: supplies for most of the projects under development have been largely secured, enabling the Group to contain cost in the prevailing inflationary environment.

For the Group's talented workforce, their safety on site and professional development top the Group's priority. During the year, the Group won "Proactive Safety Contractor Award" from The Hong Kong Construction Association as the accident rate for the Group's construction activities was well below the industry average. Meanwhile, the Group supported a wide array of construction-related seminars and exhibitions organized by professional bodies such as The University of Hong Kong and The Construction Industry Council Training Academy, nurturing a learning culture to stay current with new developments.

The Group's professional expertise and quality management have also been extended to its developments in mainland China. In addition to its tight grip over all key aspects of development such as contractor selection and material sourcing, the Construction Department has also maintained an ongoing dialogue with contractors and on-site inspection so as to ensure that all the mainland projects are completed on time, within budget and in line with the Group's stringent quality requirements.

The Group's member property management companies, Hang Yick Properties Management Limited ("Hang Yick") and Well Born Real Estate Management Limited ("Well Born"), collectively manage over 75,500 apartments and industrial/commercial units and 18,000 car parking units in Hong Kong. Their professional accreditations such as ISO 9001 Quality Management System Certification, ISO 10002 Complaint Management System Certification, ISO 14001 Environmental Management System Certification, OHSAS 18001 Occupational Health & Safety Management Certification and Q-Mark Service Scheme Certification all reflect their commitment to service excellence and customer satisfaction.

During the year, they received over 600 performance-related accolades including Excellence in Facility Management Award by Hong Kong Institute of Facility Management, Corporate Environmental & Social Leadership of the Year and Customer Service Center of the Year in Asia Pacific Customer Relationship Excellence Awards, as well as the Gold Award in the Best Landscape Award for Private Property Development by the Leisure and Cultural Services Department. Meanwhile, their unflagging efforts in promoting sustainability have paid off with many properties under their management being praised for their excellence in waste separation and indoor air quality. Being named as Caring Company for consecutive years, they were also given the designation of Manpower Developer 1st by the Employees Retraining Board ("ERB") for its devotion to staff training, in addition to the honours of ERB Excellence Award for Employer.

Hang Yick and Well Born also provided their quality property handover and management services to the Group's property developments in mainland China. Serving a total of more than 5,000 mainland apartments, they have gained growing recognition for their excellent services and Hengli Wanpan Huayuan was recently accredited as a "Community Showcase in Guangdong Province", in addition to the honours of "Excellent Property Management Community Showcase in Guangdong Province" awarded to Hengbao Garden.

Business Review - Mainland China

Austerity policies advocated by the Central Government during the year of 2010, as anticipated, steered the course of the mainland property market. The build-up in inflationary pressure within the country resulting from changes in the external economic and political environment, and a prolonged period of negative interest rate have fuelled strong support for housing demand for wealth preservation. In order to avert the risk of an asset bubble forming, and to prevent systemic risk to the banking and financial system caused by such asset bubble, the Central Government has launched a series of suitable policy initiatives to rein in excessive appreciation in housing price. Such policy efforts were intensified throughout the year, with economic and administrative measures, ranging from suppression of investment and speculative demand, increase in supply, to enhancement of supervision and so on, having been undertaken so as to ensure complete control over the mainland property market. As a result, the property market in mainland China showed notable volatility in 2010.

Soon after the introduction of "National Eleven Measures" in January 2010, and the subsequent "National Ten Measures" in April, decline in transaction volume was seen across all property sectors. In September, the property market recovered notably with some of the property projects commanding prices comparable to the level prior to the imposition of stringent controls in April. To rein in further upsurge in housing prices which would render tightening measures futile, home purchase and mortgage restrictions were launched on 29 September, in time to cool the country's property market before the "National Day Golden Week holiday".

Since November, on the back of genuine demand from end-users and investment needs for wealth preservation, housing prices throughout the country resumed its uptrend, whilst land auctions also became increasingly competitive. In view of such upward momentum regained by the property market, more stringent "National Eight Measures", which comprised a wider range of home purchase restrictions and tightened credit on property business, were imposed in early 2011. Although the policy efforts have been intensified, the measures that have been launched are conducive to stabilizing the country's economy and promoting the healthy development of the property sector. The Group is in the mainland for the long haul and is fully confident of the vast potential offered by the mainland property market.

Less directly hit by the austerity policies were the second and third-tier cities. In fact, for those second and third-tier cities in which the Group has property development projects, rapid developments were commonly seen in recent years with many large-scale infrastructure facilities currently under planning or construction. The network of express railways, light rails and city ring expressways, in particular, would have profound improvement for industrial developments and job creation in the peripheral areas, leading to further increase in housing demand in the second and third-tier cities. Benefiting from the Government's heavy investment in infrastructural developments, the Group's property development projects are set to enjoy better transportation convenience and more comprehensive facilities, in addition to the scenic landscaping made possible by large-scale greenery projects. With careful planning in line with the city's overall development, as well as superb quality and ingenious design by internationally-renowned consultants, the Group's projects reflect our unremitting pursuit of excellence, which is our competitive edge in the market.

Many of the Group's projects in the second and third-tier cities have completed their innovative design plans, with the construction progress stepped up as well. For the "Arch of Triumph" in Changsha, "La Botanica" and "Palatial Crest" in Xian and "Villa Green" in Chongqing, which were all launched during the year, as well as "Riverside Park" in Suzhou which was launched in early 2011, enthusiastic buying response and enviable market acclaim were drawn. Higher prices were repeatedly achieved when additional units were released to the market. As these residential communities offered value-for-money quality, they were highly sought after by buyers even though the asking price for each project was a new record in the immediate neighborhood. According to feedback collected in the course of offering after-sale service, most of the buyers were local residents purchasing their first flats for own use and given their genuine accommodation demand, their primary focus was on the design layout and building quality. With wide support and trust from the buyers, sale performance has been encouraging and the Group will step up its marketing efforts and expedite the sales launch.

Turning to commercial projects, following the accomplishment of World Financial Centre in Beijing, the Group during the year completed Henderson Metropolitan, a landmark at the pedestrian avenue of Nanjing Road East in close proximity to the Bund, Shanghai, whilst the Centro in Zhabei District, Shanghai was also completed. Following the success of World Financial Centre in Beijing which received numerous awards, Henderson Metropolitan is also expected to win wide acclaim and top honours.

La Botanica, Xian (artist's impression)

The following development projects were completed during this financial year:

	Project name	Land-use purpose	Group's interest (%)	Approximate attributable gross floor area (sq.ft.)
1.	Phase 1, Arch of Triumph, Changsha	Residential	99	620,000
2.	Centro, Shanghai	Office/ Commercial	100	430,000
3.	Henderson Metropolitan, Shanghai	Office/ Commercial	100	830,000
			Total:	**1,880,000**

In order to replenish the land bank, the Group's 90.5%-owned project company acquired two pieces of land in the Gaoling area of the Kaifu District, Changsha, for an aggregate consideration of about RMB130 million during the year. With a total site area of about 1,100,000 square feet, these two parcels of land will be jointly developed with the adjacent land lots, which were acquired previously with a total site area of approximately 4,500,000 square feet, into a large-scale residential community with a total gross floor area of about 8,900,000 square feet, of which approximately 8,100,000 square feet is attributable to the Group. Meanwhile, following a previous successful bid for a residential site at Jin Shi Tan, the Group in August 2010 acquired the second piece of land in Dalian at a consideration of RMB1,590 million. Located at Wolong Bay International Business District at this port city of Liaoning Province, the land parcel boasts a site area of approximately 4,200,000 square feet. Upon completion, this composite development will comprise an office building, a shopping centre, serviced apartments and residential towers, providing a total gross floor area of over 8,700,000 square feet.

As a result of the above land acquisitions, the Group's land bank in mainland China increased to approximately 150.4 million square feet in attributable developable gross floor area by the end of December 2010, of which around 83% would be high-end residences for sale:

Land bank under development or held for future development

		Group's share of developable gross floor area* (million sq.ft.)
Prime cities		
Shanghai		1.1
Guangzhou		14.2
	Sub-total:	**15.3**
Second-tier cities		
Anshan		18.0
Changsha		15.2
Chengdu		4.0
Chongqing		6.6
Dalian		10.3
Nanjing		2.4
Shenyang		17.4
Suzhou		17.0
Tieling		8.7
Xian		20.5
Xuzhou		5.3
Yixing		9.7
	Sub-total:	**135.1**
	Total:	**150.4**

** Excluding basement areas and car parks*

Usage of development land bank

	Developable gross floor area (million sq.ft.)	Percentage
Residential	125.2	83.2
Office	11.1	7.4
Commercial	9.4	6.3
Others (including clubhouses, schools and community facilities)	4.7	3.1
Total:	**150.4**	**100.0**

A giant red ribbon was tied around the East Tower of World Financial Centre Beijing to mark its grand opening.

The first phase of the "Arch of Triumph" project, which was completed in June 2010, was highly sought after by home-buyers in Changsha due to its outstanding building quality and comprehensive facilities. 684 residential units were released in batches to the market since its launch in October 2009 and over 96% were sold at 31 December 2010. Meanwhile, market responses for the pre-sale of "La Botanica" and "Palatial Crest" in Xian, as well as "Villa Green" in Chongqing, were equally overwhelming. "La Botanica", which is a 50/50 joint venture between the Group and Temasek Holdings (Private) Limited of Singapore, has been immensely popular since it went to market in November 2008 and its Phase 1A of 981 units was fully sold out. Its Phase 1B (South) and Phase 2A, which were both launched for pre-sale in the fourth quarter of 2010, also met with satisfactory response with 652 units and 82 units snapped up respectively by the end of December 2010. "Palatial Crest" and "Villa Green", which have been a market focus since their launches in the fourth quarter of 2010, were highly sought after by home-buyers with 358 units and 83 units successfully pre-sold at 31 December 2010 respectively. As a result, the Group's attributable property sales in mainland China for the year under review amounted to HK$303 million. In addition, the amount of mainland properties pre-sold attributable to the Group totalled HK$994 million for the year ended 31 December 2010.

Leasing performance for the Group's mainland completed investment property portfolio was satisfactory. Following the recent completion of the Centro and Henderson Metropolitan in Shanghai, this portfolio comprised a total attributable gross floor area of 6.5 million square feet with its major projects increased to a total of seven. During the year under review, the Group's attributable gross rental income and net rental income amounted to HK$477 million and HK$235 million, respectively.

In Beijing, World Financial Centre is the only property in that capital city to have achieved the highest possible "Platinum" rating from both the United States Green Building Council's LEED and HK-BEAM. Designed by the world-famous architect Cesar Pelli as twin "crystal jewel boxes" incorporating special effect façade lighting on the exterior, these two 22-storey, 2.1 million-square-foot International Grade-A

The "Sculpture in Movement" exhibition took place at the World Financial Centre in Beijing to coincide with celebrations for the building's grand opening.

office buildings were recently honoured by the nine professional building institutions of Hong Kong with the Quality Building Award 2010 – Merit Award for a Project outside Hong Kong, in addition to the Intelligent Building of the Year award in 2009 by the Asian Institute of Intelligent Buildings. Many discerning financial institutions and multinational corporations such as Standard Chartered Bank, Mizuho Corporate Bank, Huaxia Bank, International Air Transport Association, FAW Toyota and Novo Nordisk were therefore drawn to become its tenants since its completion in early 2009, with the leasing rate at 78%. To celebrate its grand opening in June 2010, the "Sculpture in Movement" from the Louvre Museum, Paris was launched. It was the first time for such exhibition to be staged in a commercial venue, reflecting World Financial Centre's initiative to bring world-class art and cultural events to the people of Beijing. Meanwhile, the Group's shopping mall at Beijing Henderson Centre was over 80% let by 31 December 2010. With more food and beverage outlets, as well as forthcoming opening of a large-scale superstore in its basement floors, the mix of tenants will be changed remarkably to enhance the attraction of the mall to shoppers.

In Shanghai, Grand Gateway Office Tower II, the home to a good number of multinational corporations such as Microsoft, Adidas, Tesco and Yum! Brands Inc., was over 97% leased by the end of December 2010. The shopping arcade at the Skycity was over 96% let, whilst leasing response to its neighbouring Centro, a Grade-A office building newly completed in January 2010, was also satisfactory as the energy-efficient features of this 430,000-square-foot development have been highly sought after by cost-conscious tenants. Designed by world renowned Tange Associates and built to the highest construction and environmental standards under LEED and HK-BEAM, Henderson Metropolitan has attracted equally strong leasing interest since its completion in September 2010. Superbly located at the start of the Nanjing Road East pedestrian avenue with direct access to Metro Lines 2 and 10 from the building basement, its 420,000-square-foot Grade-A office space has been largely taken up by multinational corporations such as Oracle Corporation, Mitsubishi Air-conditioning, Deutsche Lufthansa AG and UniTrust Finance & Leasing Corporation, whilst a world-class electronics product flagship store, as well as the finest selection of retailer outlets and gourmet restaurants, will soon open for business in the first half of 2011, making its 410,000-square-foot shopping mall the shopping Mecca in town. In Guangzhou, Hengbao Plaza recorded a 20% year-on-year growth in rental income with over 90% leasing rate by the end of 2010.

Joint-Venture Development in Macau

In April 2005, the Group entered into an agreement to jointly develop a large-scale waterfront development with a site area of approximately 1.45 million square feet in Taipa, Macau. The project is subject to application for land-use conversion with the total gross floor area to be finalized.

Henderson Investment Limited ("HIL")

For the year ended 31 December 2010 this group's profit attributable to equity shareholders amounted to HK$163 million compared to HK$156 million for the 18-month period ended 31 December 2009, an increase of HK$7 million or 5%. Nevertheless, for a comparison of this group's profit attributable to equity shareholders for the year ended 31 December 2010 with that for the corresponding period of 12 months ended 31 December 2009 which therefore excludes this group's reported profit attributable to equity shareholders of HK$61 million for the six months ended 31 December 2008, this group's profit attributable to equity shareholders for the corresponding period of 12 months ended 31 December 2009 was HK$95 million. On this basis, this group's profit attributable to equity shareholders of HK$163 million for the year ended 31 December 2010 represented an increase of HK$68 million, or 72%, over and above such profit attributable to equity shareholders of HK$95 million for the corresponding period of 12 months ended 31 December 2009. Such increase was mainly attributable to (i) the increased profit contribution from this group's operating right of a toll bridge in Hangzhou during the year ended 31 December 2010 of HK$29 million compared with the corresponding period of 12 months ended 31 December 2009; (ii) the net gain on the disposal of HIL's entire interest in Maanshan Huan Tong Highway Development Limited ("Maanshan Highway JV") attributable to equity shareholders of HIL of HK$26 million; and (iii) a dividend income received during the year of HK$11 million in relation to a project which was completed in 2004 and in which HIL had an 8% interest.

After divesting its entire interest in Maanshan Highway JV, this group's core asset is its 60% interest in Hangzhou Qianjiang Third Bridge. During the year, Hangzhou Qianjiang Third Bridge reported a steady year-on-year growth of 17% in toll revenue to HK$317 million, mainly driven by the increase in traffic volume given its prime location in Hangzhou.

Associated Companies

The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas")

Profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK$5,584.8 million, an increase of HK$309.7 million compared to the restated profit of 2009. Earnings per share for the year amounted to HK 77.8 cents, an increase of 6.6% over 2009. Profit growth in 2010 was mainly due to growth in profit of mainland businesses. During the year under review, Hong Kong and China Gas invested HK$4,277.5 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various businesses in Hong Kong and the mainland.

Gas Business in Hong Kong

The total volume of gas sales in Hong Kong in year 2010 rose by 1.1% compared to 2009, whilst the total number of appliances sold in 2010 was 233,313 units, an increase of 6.1% over 2009. As at the end of 2010, the number of customers was 1,724,316, an increase of 25,593 compared to 2009.

Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, is progressing well. Construction of a 9 km pipeline in the western New Territories is also in progress. In tandem with the government's development of West Kowloon, South East Kowloon and a cruise terminal, network planning, design and construction in these regions are underway. Route planning for a new submarine pipeline from Ma Tau Kok to North Point is progressing well. Meanwhile, construction of the gas supply trunk mains to Ocean Park Hong Kong to support new attractions, facilities and future extensions has been completed.

Mainland Utility Business

In mid-July 2010, Hong Kong and China Gas completed the injection of its entire equity interests in six piped city-gas project companies in Liaoning and Zhejiang provinces into its subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083) in exchange for the allotment and issue of 485 million new shares by Towngas China. The transaction raised Hong Kong and China Gas's shareholding in Towngas China from approximately 45.5% to approximately 56.3%. As such, Towngas China has become a majority-owned subsidiary of Hong Kong and China Gas and Standard & Poor's Ratings Services, an international rating agency, has raised its long-term corporate credit rating on Towngas China to BBB with a stable rating outlook.

In mid-November 2010, Hong Kong and China Gas took 250 million Towngas China shares placed by a subsidiary of Enerchina Holdings Limited (stock code: 622), the second largest shareholder of Towngas China, for an aggregate consideration of HK$907.5 million. As a result, Hong Kong and China Gas's interests in Towngas China were further increased to approximately 66.5%.

In 2010, Towngas China acquired eight new projects located in the New Industrial District of Anshan, Dalian Lvshun Economic Development Zone, Kazuo county of Chaoyang in Liaoning province; in the Lingui New District of Guilin in Guangxi Zhuang Autonomous Region; in the Nanhai New District of Laiyang and Linqu county of Weifang in Shandong province; and in the Chengdong Harbour District of Jiujiang and the Fubei Industrial Park of Fuzhou in Jiangxi province. In 2010, Towngas China's profit after taxation attributable to its shareholders amounted to HK$436 million, an increase of approximately 64.4% over 2009.

Hong Kong and China Gas's city-gas businesses progressed well in 2010, with a further new project successfully established in Yonganzhou Industrial Park, Taizhou, Jiangsu province. Inclusive of eight new projects established by Towngas China in 2010, Hong Kong and China Gas had 93 city-gas projects in mainland cities spread across 17 provinces/autonomous regions/municipalities as at the end of 2010. During the year under review, the number of gas customers in the mainland reached 11.88 million and total volume of gas sales was 8,540 million cubic metres. Hong Kong and China Gas has now become the largest city-gas enterprise on the mainland.

Hong Kong and China Gas's midstream natural gas projects include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province; a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province; the Guangdong Liquefied Natural Gas Receiving Terminal project; and a natural gas valve station project in Suzhou Industrial Park, Suzhou, Jiangsu province. Hong Kong and China Gas also operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province. These projects are progressing well.

ECO's coal-based chemical plant in Erdos, Inner Mongolia

Overall, as at the end of 2010, inclusive of projects of Towngas China, Hong Kong and China Gas had 120 projects spread across 20 provinces/autonomous regions/ municipalities, encompassing upstream, midstream and downstream natural gas sectors, the water supply and wastewater treatment sectors, natural gas filling stations and emerging environmentally-friendly energy and energy resources projects.

Environmentally-Friendly Energy Businesses

Hong Kong and China Gas's development of emerging environmentally-friendly energy projects, through its wholly-owned subsidiary ECO Environmental Investments Limited and the latter's subsidiaries (together known as "ECO"), is also progressing well. At the end of 2009, ECO established a Chinese holding company in Erdos, Inner Mongolia to increase management effectiveness and financing channels.

ECO's coalbed methane and non-conventional methane utilisation businesses have been developed based on the technology and operational experience gained from its landfill gas utilisation project which has been successfully operating in Hong Kong for several years. Since 2008, ECO has been developing similar projects on the mainland with an extended scope of application, the first being a phase-one coalbed methane liquefaction facility located in Jincheng, Shanxi province which was commissioned in late 2008. Construction of the phase-two facility was successfully completed during the year under review, and is expected to be commissioned in the first quarter of 2011. Annual production capacity of the whole facility, the largest liquefaction and utilisation project of its kind on the mainland, will then increase to approximately 250 million standard cubic metres of liquefied coalbed methane.

Construction of ECO's coal-mine methane liquefaction project in Chongqing is progressing well; commissioning is expected in the first quarter of 2012. Coal-mine gas, which typically contains about

40% of methane, will be used to produce liquefied methane deploying coal-mine gas deoxidization and coalbed methane cryogenic liquefaction technologies. Other than in-situ power generation plants, this project, with an estimated annual production capacity of 91 million standard cubic metres, is slated to become the world's first large-scale coal-mine gas utilisation facility. ECO has also confirmed its investment in a second coal-mine methane deoxidization and liquefaction project located in Yangquan, Shanxi province.

ECO started to develop coal resources and coal chemical processing businesses in 2009 and its construction of a methanol production plant and development of a coal mine in Junger, Erdos, Inner Mongolia are progressing well; both are expected to be commissioned in 2011. With an annual production capacity of 200,000 tonnes, the methanol production plant has already entered the commissioning stage. ECO's coking coal mining and plant project in Fengcheng, Jiangxi province, is also on schedule; commissioning is expected in 2012. This project will provide an additional gas source for Hong Kong and China Gas's Fengcheng city-gas project.

ECO's energy-related logistics and facilities businesses originated from its five dedicated Liquefied Petroleum Gas ("LPG") filling stations in Hong Kong which have been operating steadily for several years servicing taxis and minibuses. ECO started to develop its gas filling station business on the mainland in 2008. Since then, ECO has been gradually establishing a network of compressed and liquefied natural gas filling stations used by heavy-duty trucks in Shaanxi, Shandong, Liaoning, Henan and Anhui provinces.

ECO's aviation fuel facility in Area 38, Tuen Mun, to service Hong Kong International Airport, was completed and commissioned in November 2010. Jetties and facilities are available for berthing tankers of 80,000 tonnes and 50,000 tonnes and unloading their aviation fuel into eight large tanks with a total capacity of 264,000 cubic metres. After re-certification, the fuel is then transported to the airport via submarine pipelines. The facility has now become a major logistics base for supply of aviation fuel in Hong Kong.

Property Developments

By the end of December 2010, over 99% of the total residential floor area of the Grand Promenade had been sold, whilst Grand Waterfront was sold out. In addition to the commercial area of Grand Waterfront, this group also has an approximately 15.8% interest in the International Finance Centre ("ifc") complex and both of them leased well.

Financing Programmes

HKCG (Finance) Limited, a wholly-owned subsidiary of this group, successfully issued and sold US$1 billion of notes guaranteed by Hong Kong and China Gas (stock code: 4303) in August 2008 and further established a US$1 billion medium term note programme (the "MTN Programme") in May 2009. Since the establishment of the MTN Programme, this group has issued medium term notes with, up to now, an aggregate amount of HK$3,010 million at nominal interest rates ranging from 3.90% to 5.00% per annum and with a maturity of 10 to 40 years. These term notes have included the first ever issue of 30-year and 40-year notes, the longest term corporate papers ever issued, in the Hong Kong dollar bond market. In February 2011, this group concluded a HK$3.8 billion 5-year syndicated term loan and revolving credit facility, the first syndicated financing transaction for this group since 2006.

Hong Kong and China Gas predicts steady growth and an increase of about 25,000 new customers in Hong Kong for 2011, whilst the combined results of its emerging environmentally-friendly energy businesses and mainland utility businesses will reach the same level as that of its Hong Kong gas business in 2012.

Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry")

The consolidated profit after taxation of Hong Kong Ferry for the year ended 31 December 2010 amounted to approximately HK$483 million, a drop of 56% as compared with the profit after taxation of HK$1,095 million in 2009 due to the fact that less development properties were sold this year.

For the year under review, Hong Kong Ferry sold 30 units in Shining Heights and 72 units in The Spectacle with a total profit of approximately HK$228 million. A profit of HK$36 million was also realized from the sales proceeds of approximately HK$70 million upon the disposal of MetroRegalia shops. Rental and other income from its commercial arcades amounted to approximately HK$44 million. The occupancy rates of the commercial arcades of Metro Harbour View and Shining Heights were 97% and 82% respectively whereas the commercial arcade of MetroRegalia was fully let for the year with a rental income of approximately HK$1.2 million.

As regards property development, Hong Kong Ferry acquired at a public land auction in May 2010, Fanling Sheung Shui Town Lot No. 177 located at the junction of Ma Sik Road and Sha Tau Kok Road (Lung Yeuk Tau Section) Area 19, Fanling, New Territories with a site area of approximately 95,800 square feet designated for residential cum-commercial use. The development comprises 3 residential towers built on a 2-storey commercial podium with a total gross floor area of approximately 540,000 sq. ft. The foundation works of the property has commenced and it is expected to be finished by phases before 2014. Also, it has already acquired the entire ownership of the property at 204-214 Tung Chau Street, Shum Shui Po, Kowloon. The property will be re-developed into a commercial/ residential building with a gross floor area of approximately 54,000 square feet. It is expected that the property will be demolished and construction works will commence in the later part of this year.

Hong Kong Ferry realized a profit of HK$42 million in securities investment and recorded a marked-to-market profit of approximately HK$4.7 million in equity-linked-notes.

The ferry, shipyard and related operations recorded a profit of approximately HK$9.9 million in total, an increase of 230% as compared with last year. The harbour cruise operation achieved an increase of approximately 100% in operating profit, whilst the deficit of the shipyard was reduced by 27%.

The travel and hotel operation recorded a profit of HK$2.4 million with a turnaround result registered by The Silvermine Beach Hotel.

The sales proceeds from the remaining 25 units of Shining Heights and 34 units of The Spectacle will remain the main source of income of Hong Kong Ferry in 2011.

Miramar Hotel and Investment Company, Limited ("Miramar")

For the financial year ended 31 December 2010 (the "Reporting Year"), Miramar's turnover amounted to approximately HK$2,112 million compared with HK$1,303 million for the nine months ended 31 December 2009 (referred to as the "2009 Reporting Period") due to a change of the financial year end date. Profit attributable to shareholders amounted to approximately HK$784 million (2009 Reporting Period (restated): HK$260 million). Excluding the net increase in the fair value of investment properties, underlying profit attributable to shareholders for the Reporting Year was approximately HK$378 million (2009 Reporting Period (restated): HK$152 million).

In September 2010, Miramar disposed of the 25% equity interest in a hotel in Shekou. Miramar currently owns and/or provides management services for six hotels and

The Grand Mira Suite, The Mira Hong Kong serviced apartments in Hong Kong and mainland China. Miramar is the sole owner of The Mira, and Miramar Apartments in Shanghai, a block of serviced apartments. In addition, it provides management services for two hotels in Shekou, a serviced apartment complex and a hotel in Hong Kong. Miramar is working on a hotel management project for a 32-storey boutique hotel in Wan Chai, which is currently under construction and expected to commence trial operation in 2013 under the brand name of "The Mira".

The Mira achieved a turnaround during the Reporting Year. EBITDA (earnings before interest, taxes, depreciation and amortisation) reached approximately HK$120 million, compared with a loss of HK$12 million recorded in 2009 Reporting Period. During the Reporting Year, the occupancy rate of The Mira grew from 58% in 2009 Reporting Period to 80%, whilst the average room rate was up 26%. It also achieved remarkable success in terms of its food and beverage operations with a host of accolades received by its restaurants. Cuisine Cuisine at The Mira has been awarded two Michelin stars in Michelin Guide to Hong Kong and Macau 2011, whilst Whisk has won the coveted title as a Newly Selected Restaurant.

Miramar's property rental business grew steadily during the Reporting Year, registering a turnover of approximately HK$480 million and rental income derived from Miramar Shopping Centre and Miramar Tower remained as the major income contributor. The average occupancy rate of Miramar Shopping Centre for the Reporting Year was in line with that of the 2009 Reporting Period, and the average unit rate decreased slightly by 2%. The refurbishment work in Basement one was completed on schedule in the second quarter of 2010. As at the end of 2010, occupancy rate of Miramar Shopping Centre exceeded 95%. As at the end of 2010, occupancy rate at Miramar Tower was nearly 100% and the average unit rate dropped by about 5%. Miramar has undertaken refurbishment work in the public areas of Miramar Tower since May 2010 and the work is expected to be completed in early 2011. Basement one to the second floor of the shopping centre at The Mira underwent a refurbishment and the work is expected to be completed in mid-2011. Miramar optimised property portfolio and acquired an investment property located at Stanley Main Street at a consideration of approximately HK$64 million.

Miramar operates three Tsui Hang Village restaurants (one located in the Miramar Shopping Centre, Tsim Sha Tsui; one in the New World Tower, Central; and one situated in Club Marina Cove, Sai Kung), a Sichuan restaurant named Yunyan Szechuan Restaurant at Miramar Shopping Centre, two outlets at the IFC, namely Cuisine Cuisine and The French Window, and a canteen and Green Café at the Union Hospital. During the Reporting Year, Miramar completed the two-month renovation work at Yunyan Szechaun Restaurant and brought its successful brand "Cuisine Cuisine" to the mainland China market. The first Cuisine Cuisine restaurant will set foot in Beijing and the restaurant will open in the third quarter of 2011. Another Cuisine Cuisine restaurant in Wuhan will also open in 2011. In September 2010, Miramar joined hands with Green House Food Co. Ltd. to expand the business network of Saboten Tonkatsu, a chain restaurant specialising in traditional deep-fried breaded pork cutlet, to reach Hong Kong and the first outlet in Hong Kong will open in Causeway Bay in the second quarter of 2011. During the Reporting Year, Miramar also entered into a franchise agreement with Hide-Chan Ramen and the first franchise store is opened in March 2011 near Lan Kwai Fong, Central. In the second quarter of 2011, Miramar will open Assaggio Trattoria Italiana, its first Italian restaurant, located at the Hong Kong Art Centre in Wan Chai.

Turnover of the travel business segment showed double-digit growth, reaching approximately HK$980 million. Double-digit year-on-year growth in operating net profit was also logged. The number of Japan tours surged, resulting in over 20% increase in revenue.

Miramar commenced apparel retail business at the end of 2010 and has become a distributor of DKNY Jeans in the mainland China. Looking forward to 2011, Miramar will foster collaboration with international fashion brands and set up its own retail network by opening exclusive stores in the mainland China.

Corporate Finance

In order to provide additional funding resources to the Group to cater for its general funding and working capital requirements, the Group concluded a HK$13,250 million five-year syndicated term loan/revolving credit facility on 28 June 2010 with a consortium of 18 leading international banks and local financial institutions. Riding on the Group's solid credit quality and sound financial position, the facility received an overwhelming response from the banking community. From an initially planned facility amount of HK$8,000 million, the facility was increased to the final amount of HK$13,250 million indicating the strong confidence and continuing support of international as well as local banks for the Group.

In addition, the Group also signed up a HK$10,000 million three-year syndicated term loan/revolving credit facility on 10 January 2011 with a consortium of 13 leading international banks and local financial institutions. Again, the facility received an overwhelming response from the banking community, with its size increased from an initially planned facility amount of HK$5,000 million to the final amount of HK$10,000 million.

Further, in light of the low interest rate levels resulting from quantitative easing measures adopted by major economies around the world over the past year, the Group has concluded Hong Kong dollar interest rate swap contracts for terms of ten years and fifteen years. Such contracts were entered into for the purpose of converting part of the Group's Hong Kong dollar borrowings from floating interest rates into fixed interest rates at levels which are well below the average for the past few years. It is considered that such a treasury management strategy will be of benefit to the Group in the long run.

Prospects

Despite changes in the external economic and political environment, the current low interest rate and inflationary environment in Hong Kong, rising household income amid an improving job market, should lend support to the local residential property market. Attracted by the positive outlook in the region as mainland China is still expected to experience steady and fast economic development, an increasing number of mainland and international financial institutions have established a presence in Hong Kong, while the prominent growth of offshore Renminbi business and the continued proliferation of the Renminbi financial products have also reinforced Hong Kong's status as an international financial centre.

Turning to mainland China, with the mainland economy continuing to prosper, household income is set to increase in line with the booming economy. As inflation expectation and negative interest rate linger on, and given the limited availability of investment vehicles, home purchase is regarded as the preferred investment choice. Fuelled by such robust demand, home prices are expected to remain stable in the mainland second and third-tier cities. For the current year, the Group plans to launch a total of more than 10 projects for sale in the second and third-tier cities and the total sales amount is expected to grow significantly.

The Group has a sizeable asset portfolio. The Company's stake in Hong Kong and China Gas singly accounted for approximately 45% of the Company's market capitalization on 31 December 2010 based on closing share prices on that date. The other assets also serve as a solid base for the delivery of strong earnings growth in the years to come and include:

(i) Continued expansion of the Group's rental portfolio in both Hong Kong and mainland China with an improved property mix: The Group held a total attributable gross floor area (GFA) of approximately 9.4 million square feet in completed investment properties in Hong Kong with most of them being quality offices and large-scale shopping malls in the busiest areas, plus approximately 6.5 million square feet of completed investment properties in mainland China. The recurrent rental income is set to grow further.

(ii) Urban redevelopment projects of old buildings and other projects under development: The 23 urban redevelopment projects which have been successfully acquired with ownership of between 80%-100%, together with the further acquisition, currently in progress, of 45 projects, will add a total attributable GFA of about 7.3 million square feet to the Group's land bank upon successful completion of the acquisition of all the 68 urban redevelopment projects of old buildings. In addition, the Group has a total of 9 existing projects under redevelopment or conversion into other purposes, which would provide about 1.84 million square feet in attributable GFA for commercial and residential use in the urban areas.

(iii) Agricultural land reserve: The Group's agricultural land reserve increased to 40.6 million square feet in site area, the largest among all property developers in Hong Kong. In addition to an aggregate attributable GFA of about 2.7 million square feet from the sites at Wu Kai Sha and Tai Tong Road, which are now under construction, the terms (except the land premium) for the land-use conversion of the wetland restoration and residential project in Wo Shang Wai, Yuen Long with attributable GFA of 895,000 square feet have also been agreed with the government. Meanwhile, the sites situated in the satellite towns of Wu Nga Lok Yeung, Ping Che, Kwu Tung North and Hung Shui Kiu are expected to provide, based on a preliminary estimate, an attributable GFA totalling 17 million square feet.

(iv) The large development land bank in mainland China: Most of the development projects were acquired in previous years at relatively low cost. As the development of a number of projects has gained pace with an increasing amount of residences scheduled for sales/pre-sales in coming years, the Group's efforts in mainland China will soon bear fruit.

(v) Low cost approach to land banking: As the acquisition cost of old buildings and the premium payable for agricultural land-use conversion compare favourably with the transacted prices of land sites offered at public auctions, it would benefit the future contribution to the Group's results.

(vi) Contribution from the listed associates: The three listed associates (namely, Hong Kong and China Gas, Hong Kong Ferry and Miramar) provide steady income stream to the Group.

Given the above valuable assets with immense potential and the significant contributions they are expected to generate going forward, the Group is confident of the creation of abundant value for shareholders.

Appreciation

I would like to take this opportunity to express my gratitude to my fellow directors for their support and wise counsel, and to thank all our staff for their dedication and hard work.

Lee Shau Kee
Chairman

Hong Kong, 17 March 2011

OUTSTANDING PERSPECTIVE

Hong Kong Outstanding Enterprises Parade 2010
Economic Digest
Hong Kong Outstanding Enterprises 2010 (Blue Chip)

In 2010, Henderson Land was among one of six companies bestowed with the Hong Kong Outstanding Enterprises (Blue Chip) award by Economic Digest. This marked the fifth time the Group has received the award, which applauds companies for outstanding performance in growing their business, excellent standards of corporate governance and popularity with shareholders.

11-12 Headland Road

Henderson Land's Headland Road homes combine innovative design features with an excellent location.

- *A 13,000 square feet mega house, a showcase of ultimate luxury*
- *Located on Hong Kong Island's Southside, a favourite of the affluent and famous*
- *Status appeal of a unique address for each of the four residences*
- *Boundless South China sea views across South Bay, Chung Hom Wan, Repulse Bay*
- *Proximity to Hong Kong Golf Club and Royal Hong Kong Yacht Club*

Land Bank

2010 Highlights

- Diverse and sizeable land bank with a total attributable gross floor area of 21.3 million square feet
- 23 urban redevelopment projects with 80% ownership or above successfully acquired
- Agricultural land reserve increased to 40.6 million square feet in site area – the largest holding among all Hong Kong property developers
- Total attributable gross floor area of over 2.6 million square feet from conversion of two farmland sites at Wu Kai Sha and Tai Tong Road currently under construction

Newly acquired urban redevelopment projects with entire or majority ownership

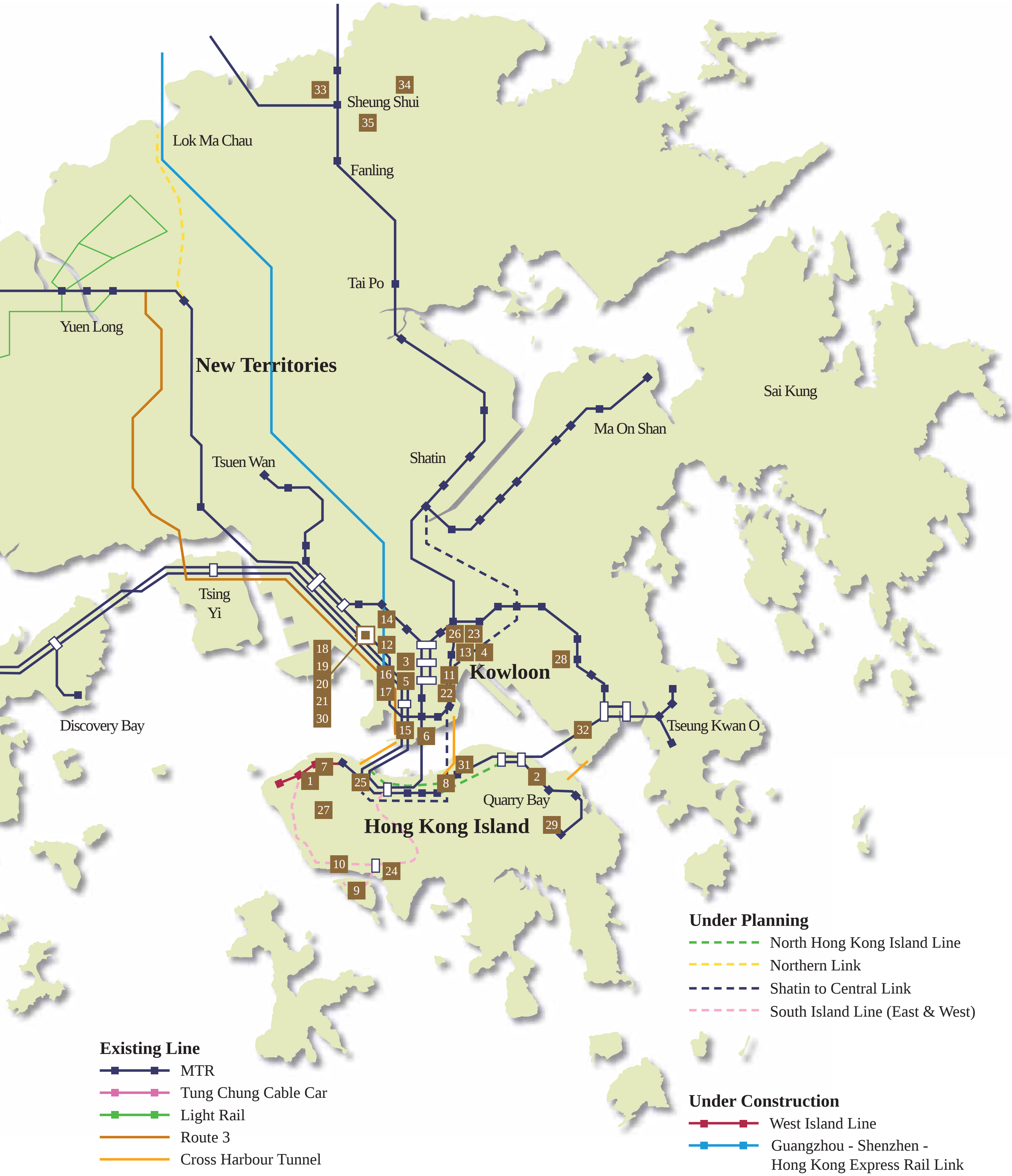
1 30-38 Po Tuck Street and 36 Clarence Terrace
2 23-33 Shing On Street, Sai Wan Ho
3 186-188 Tai Po Road, Sham Shui Po
4 75-81 Sa Po Road, Kowloon City
5 Keung Fu Building, 45-49 Boundary Street and 189-195 Sai Yeung Choi Street North
6 2-12 Observatory Road, Tsim Sha Tsui
7 Western Court, 450-456G Queen's Road West
8 1-7A Gordon Road, Tin Hau
9 62-72 Main Street, Ap Lei Chau
10 89-95 Shek Pai Wan Road, Aberdeen
11 Matauwei Apartments, 57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan
12 Hoi On Building, 11-33 Li Tak Street, Tai Kok Tsui
13 162-168 Pau Chung Street, 50-64 Ma Tau Kok Road, To Kwa Wan
14 186-198 Fuk Wing Street, Sham Shui Po
15 Hillwood Apartments, 38-40A Hillwood Road, Jordan
16 456-462A Sai Yeung Choi Street North, Sham Shui Po
17 1-19 Nam Cheong Street and 198 Tung Chau Street, Sham Shui Po
18 565-577 Fuk Wah Street, Cheung Sha Wan
19 342-348 Un Chau Street, Cheung Sha Wan
20 11-19 Wing Lung Street, Cheung Sha Wan
21 Chu Yan Lan Industrial Building, 63 Wing Hong Street, Cheung Sha Wan
22 196-202 Ma Tau Wai Road, To Kwa Wan
23 79-83 Fuk Lo Tsun Road, Kowloon City

Existing projects under planning for redevelopment or conversion into other purposes

24 19-21 Wong Chuk Hang Road
25 45-47 Pottinger Street / Ezra's Lane, Central
26 25 La Salle Road, Kowloon Tong
27 29 Lugard Road, The Peak
28 8 Wang Kwong Road, Kowloon Bay
29 24 Lee Chung Street, Chai Wan
30 59-61 Wing Hong Street / 88-92 King Lam Street, Cheung Sha Wan
31 14-30 King Wah Road, North Point
32 Yau Tong Bay

Land sites situated in the New Development Areas

33 Wu Nga Lok Yeung
34 Ping Che
35 Kwu Tung North
36 Hung Shui Kiu


33
34
Sheung Shui
35
Lok Ma Chau
Fanling
Tai Po
Yuen Long
New Territories
Sai Kung
Ma On Shan
Tsuen Wan
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Kowloon
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Discovery Bay
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Tseung Kwan O
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25
31
8
2
27
Quarry Bay
Hong Kong Island
29
10
24
9
Under Planning
North Hong Kong Island Line
Northern Link
Shatin to Central Link
South Island Line (East & West)
Existing Line
MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel
Under Construction
West Island Line
Guangzhou - Shenzhen - Hong Kong Express Rail Link

At 31 December 2010, the Group had a land bank in Hong Kong with a total attributable gross floor area of approximately 21.3 million square feet, made up as follows:

		Attributable gross floor area (million sq.ft.)
Properties held for or under development		9.3
Stock of unsold property units		1.6
Completed investment properties		9.4
Hotel properties		1.0
	Total:	**21.3**

In addition, the Group held rentable car parking spaces with a total area of around 2.8 million square feet.

The Group remains optimistic about the prospects for the Hong Kong property market and has therefore continued to engage in the acquisition of old buildings in the urban areas for redevelopment in tandem with the Government's policy initiative on promoting urban renewal. At the same time, the Group's agricultural land reserve includes significant holdings in the new development areas as designated by the Government. Both of these sources are expected to bring about a significant increase in the Group's development land bank in future years. Since the acquisition cost of old buildings and the premium payable for agricultural land-use conversion compare favourably with the transacted prices of land sites offered at public auctions, such approach to land banking has the advantage of low cost and therefore a higher contribution to earnings.

(I) Redevelopment of old buildings in the urban areas

A. Newly-acquired projects

As mentioned above, the Group believes that the redevelopment of old buildings in the urban areas will provide a source of land supply which requires lower cost and hence yields higher margin. Since 2009, a number of old building projects have been acquired and efforts are continuing to source additional old properties for redevelopment. A summary of the projects which have been acquired is as follows:

	Project name and location	Site area (sq.ft.)	Expected gross floor area in future redevelopment (sq.ft.)	Expected year of sales launch (Note 1)
A.	**Projects with ownership fully consolidated:**			
1.	30-38 Po Tuck Street and 36 Clarence Terrace, Hong Kong *(Note 2)*	7,310	61,103	2012
2.	23-33 Shing On Street Sai Wan Ho, Hong Kong *(Note 2)*	4,699	39,942	2012
3.	186-188 Tai Po Road Sham Shui Po, Kowloon *(Note 2)*	8,234	70,242	2011
4.	75-81 Sa Po Road Kowloon City, Kowloon	3,582	32,238	2012

	Project name and location	Site area (sq.ft.)	Expected gross floor area in future redevelopment (sq.ft.)	Expected year of sales launch (Note 1)
5.	Keung Fu Building, 45-49 Boundary Street and 189-195 Sai Yeung Choi Street North, Kowloon *(Note 2)*	5,880	52,919	2012
6.	2-12 Observatory Road, Tsim Sha Tsui, Kowloon *(Note 3)*	5,415	64,990	2013
	Sub-total:	**35,120**	**321,434**	
B.	**Projects with the percentage of ownership reaching or exceeding the compulsory sale application threshold for redevelopment:**			
7.	Western Court, 450-456G Queen's Road West, Hong Kong *(Note 2)*	29,875	268,482	2013
8.	1-7A Gordon Road, Tin Hau, Hong Kong *(Note 2)*	7,423	61,280	2013
9.	62-72 Main Street, Ap Lei Chau, Hong Kong	5,973	50,771	2013
10.	89-95 Shek Pai Wan Road, Aberdeen, Hong Kong	3,300	28,050	2013
11.	Matauwei Apartments, 57-69 Ma Tau Wai Road, 2-20 Bailey Street and 18A-30 Sung Chi Street, To Kwa Wan, Kowloon *(Note 2)*	23,031	207,279	2013
12.	Hoi On Building, 11-33 Li Tak Street, Tai Kok Tsui, Kowloon *(Note 2)*	19,600	166,600	2012
13.	162-168 Pau Chung Street and 50-64 Ma Tau Kok Road, To Kwa Wan, Kowloon	11,700	105,300	2012
14.	186-198 Fuk Wing Street, Sham Shui Po, Kowloon	7,500	62,475	2012
15.	Hillwood Apartments, 38-40A Hillwood Road Jordan, Kowloon *(Note 3)*	4,586	55,032	2013
16.	456-462A Sai Yeung Choi Street North, Sham Shui Po, Kowloon	12,300	104,550	2014
17.	1-19 Nam Cheong Street and 198 Tung Chau Street Sham Shui Po, Kowloon *(Note 2)*	8,625	77,626	2013
18.	565-577 Fuk Wah Street, Cheung Sha Wan, Kowloon	7,350	58,800	2013
19.	342-348 Un Chau Street, Cheung Sha Wan, Kowloon	4,579	38,922	2013
20.	11-19 Wing Lung Street, Cheung Sha Wan, Kowloon	6,510	58,590	2013
21.	Chu Yau Lan Industrial Building 63 Wing Hong Street, Cheung Sha Wan, Kowloon *(Note 3)*	3,150	37,800	2012
22.	196-202 Ma Tau Wai Road, To Kwa Wan, Kowloon	4,905	41,693	2013
23.	79-83 Fuk Lo Tsun Road, Kowloon City, Kowloon	3,630	30,855	2013
	Sub-total:	**164,037**	**1,454,105**	
	Total for 23 projects with entire or majority ownership:	**199,157**	**1,775,539**	

Note 1: Completion of a redevelopment is expected to occur in the second year after the year in which the redevelopment is to be launched for pre-sale.

Note 2: Building plan already approved.

Note 3: With the exception of project numbers 6, 15 and 21 above, which are intended to be redeveloped into office or industrial/office buildings, all of the above projects are designated for commercial and residential uses.

The total costs of acquisition for the above 23 urban projects are estimated at about HK$7,000 million, translating into an average land cost of approximately HK$3,900 per square foot of gross floor area.

Further acquisitions, involving another 45 projects which are located in various highly accessible urban districts as noted below, are in progress and they are expected to provide an additional total attributable gross floor area of approximately 5.5 million square feet upon successful completion of their acquisition and redevelopment:

			Land area (sq.ft.)	Expected gross floor area in future redevelopment (sq. ft.)
1.	**Hong Kong**			
	Central & Western		121,324	952,957
	Island East		80,003	747,447
	Causeway Bay		32,387	314,436
	Aberdeen		23,017	208,780
	Wanchai		8,084	72,756
		Sub-total:	**264,815**	**2,296,376**
2.	**Kowloon**			
	Hung Hom		121,750	1,095,750
	Tai Kok Tsui		114,939	988,852
	Homantin		79,430	643,013
	Sham Shui Po		50,141	448,979
		Sub-total:	**366,260**	**3,176,594**
		Total:	**631,075**	**5,472,970**

Together with the above-mentioned 23 projects in which majority ownership is already held, the successful acquisition of these additional 45 projects will add to the Group a total of 68 urban redevelopment projects, with an estimated total attributable gross floor area of about 7.3 million square feet.

B. Existing projects

In addition to the above newly-acquired urban redevelopment projects, the Group had a total of 9 existing projects under planning for redevelopment or conversion into other purposes which would provide about 1.84 million square feet in attributable gross floor area for commercial and residential use in the urban areas. With approval having been obtained from the Town Planning Board for the residential development at the site at 14-30 King Wah Road, North Point, the Group has applied to the Government for its land-use conversion. The site is expected to be developed into twin harbourfront towers comprising approximately 224,000 square feet in total residential gross floor area. For the large-scale residential joint-venture development project at Yau Tong Bay, Kowloon, a master layout plan has been submitted to the Town Planning Board for review. It is expected that the project will provide a total developable gross floor area of approximately 4.4 million square feet, of which about 810,000 square feet is attributable to the Group as shown in the table below:

		Site area (sq.ft.)	Expected gross floor area in future development (sq. ft.)	Group's Interest (%)	Expected attributable gross floor area in future development (sq. ft.)
1.	19-21 Wong Chuk Hang Road, Hong Kong	14,298	214,303	50.00	107,152
2.	45-47 Pottinger Street / Ezra's Lane, Central,Hong Kong	9,067	94,190	19.095	17,986
3.	25 La Salle Road, Kowloon Tong, Kowloon *(Note 1)*	13,467	24,241	100.00	24,241
4.	29 Lugard Road, The Peak, Hong Kong	23,653	11,824	100.00	11,824
5.	8 Wang Kwong Road Kowloon Bay, Kowloon *(Note 2)*	21,528	174,789	100.00	174,789
6.	24 Lee Chung Street, Chai Wan, Hong Kong	11,590	173,842	100.00	173,842
7.	59-61 Wing Hong Street / 88-92 King Lam Street, Cheung Sha Wan, Kowloon	24,854	298,248	100.00	298,248
8.	14-30 King Wah Road, North Point, Hong Kong	37,566	224,801	100.00	224,801
9.	Yau Tong Bay, Kowloon	878,962	4,394,808	18.4357	810,214
	Total:	**1,034,985**	**5,611,046**		**1,843,097**

Note 1: The site was previously held by the Group as a serviced apartment building.

Note 2: Under the Government's new revitalization policy, the old industrial building (i.e., Big Star Centre) at this site may be converted into a hotel free of payment of any fee for the land-use conversion; the related terms are pending Government's finalization.

(II) Agricultural land

With agricultural land reserve of 40.6 million square feet in land area at the year end, the Group continued to have the largest holding of such land among all property developers.

In parallel with the expansion of agricultural land reserve, the Group has taken active steps to apply for the land-use conversion of a number of sites, with significant progress made over the recent years.

Further to the finalization of the land-use conversion for the site at Sha Tin Town Lot 502, Wu Kai Sha (with the total land cost of HK$3,509 per square foot, including land premium of HK$3,253 per square foot, of gross floor area based on its total developable gross floor area of approximately 2.95 million square feet, of which 56.75% or about 1.67 million square feet is attributable to the Group) in the preceding year, the land premium for the residential site at Lot 5369, DD 116 at Tai Tong Road, Yuen Long, was also finalized with the total sum of HK$2,334.8 million fully settled during the year. Based on the expected total gross floor area of approximately 1.175 million square feet in development (of which 79.03% or approximately 930,000 square feet is attributable to the Group), the land premium per square foot of gross floor area was approximately HK$1,987 with the total land cost per square foot of gross floor area amounted to approximately HK$2,291.

Meanwhile, an adjacent land lot was also in the final stage of land-use conversion and upon finalization of the land premium, it will be merged with the above development at Tai Tong Road, improving the scalability and expanding the total gross floor area of this residential project to approximately 1.3 million square feet, of which 79.03% or approximately 1.02 million square feet is attributable to the Group.

Construction is underway for both sites at Wu Kai Sha, Ma On Shan and Tai Tong Road, Yuen Long and the Group will expedite their developments, as well as their sales/pre-sales programs. The project of Wu Kai Sha, Ma On Shan will be completed in phases and its first phase of development of approximately 0.44 million square feet in attributable GFA, which is due for completion in the fourth quarter of 2012, is expected to be launched for pre-sales in 2012. The remaining 1.23 million square feet in attributable GFA from its subsequent phases of development would be available for pre-sales from 2013 onwards. Meanwhile, the whole project of Tai Tong Road, Yuen Long, with the total attributable GFA of approximately 1.02 million square feet upon successful land-use conversion of the above-mentioned adjacent land-lot, would be available for pre-sales in 2012 with scheduled completion by the end of 2012.

For the wetland restoration and residential project in Wo Shang Wai, Yuen Long, which is planned to be developed into a low-density luxury residential development with a total gross floor area of approximately 895,000 square feet against a total land area of about 2.3 million square feet, the terms for the land-use conversion have been agreed while the premium offer is the subject of an appeal to the Government.

Meanwhile, the Group will actively work in tandem with the Government's development plans and once they are finalized, the Group will pursue land-use conversion of sites situated in the "North East New Territories New Development Areas" and "Hung Shui Kiu New Development Area", with a view to broadening the source of development land:

			Total land area (sq.ft.)	Preliminary estimated attributable gross floor area (sq. ft.)
1.	North East New Territories New Development Areas			
	- Wu Nga Lok Yeung		2,700,000	6,000,000
	- Ping Che		2,000,000	1,500,000
	- Kwu Tung North		400,000	1,500,000
		Sub-total:	**5,100,000**	**9,000,000**
2.	Hung Shui Kiu New Development Area		4,000,000	8,000,000
		Total:	**9,100,000**	**17,000,000**

For the Group's 50%-owned residential development at Nam Sang Wai with an approved total gross floor area of approximately 3.3 million square feet, the Group will appeal against the recent judgment from the Town Planning Board based on the previous approved development scheme. At the same time, the Group will maintain a close dialogue with the general public, the Government, and environmental groups with a view to achieving an outcome acceptable to all parties.

(III) Property sales programme

In 2011, the Group plans to embark on the sales launch of a number of residential developments including The Gloucester in Wanchai, 58-66 Boundary Street in Mongkok and La Verte in Fanling. Together with the completed stocks and other projects pending sales, a total of over 1.69 million square feet in attributable residential gross area will be available for sale. Meanwhile, significant portions of the attributable GFA of 1.78 million square feet from the above 23 urban redevelopment projects of old buildings in which entire or majority ownership is already held, and of the total attributable GFA of 2.69 million square feet from the projects at Wu Kai Sha, Ma On Shan and Tai Tong Road, Yuen Long, are expected to be ready for pre-sale at the earliest in 2012 and 2013. In addition to the above newly-acquired urban redevelopment projects of old buildings, the Group had a total of 9 existing projects under redevelopment or conversion into other purposes which would provide about 1.84 million square feet in attributable gross floor area for commercial and residential use in the urban areas as noted below:

		Expected year of sales launch (million sq.ft.)				Total (million sq.ft.)
		2011	**2012**	**2013**	**2014 or onwards**	
1	Stocks and other projects pending sales	1.69	–	–	–	1.69
2	Newly acquired urban redevelopment projects of old buildings *(Note)*	0.07	0.56	1.04	0.11	1.78
3	Existing urban redevelopment projects of old buildings	–	–	–	1.84	1.84
4	Wu Kai Sha development project converted from agricultural land	–	0.44	1.23	–	1.67
5	Tai Tong Road development project converted from agricultural land	–	1.02	–	–	1.02
6	Wo Shang Wai	–	–	–	0.89	0.89
	Total:	**1.76**	**2.02**	**2.27**	**2.84**	**8.89**

Note: *Completion of a redevelopment is expected to occur, on average, in the second year after the year in which the redevelopment is to be launched for pre-sale.*

Property Development

2010 Highlights

- Completed 67,103 square feet of properties for sale
- Sold an attributable HK$5,423 million worth of properties in Hong Kong

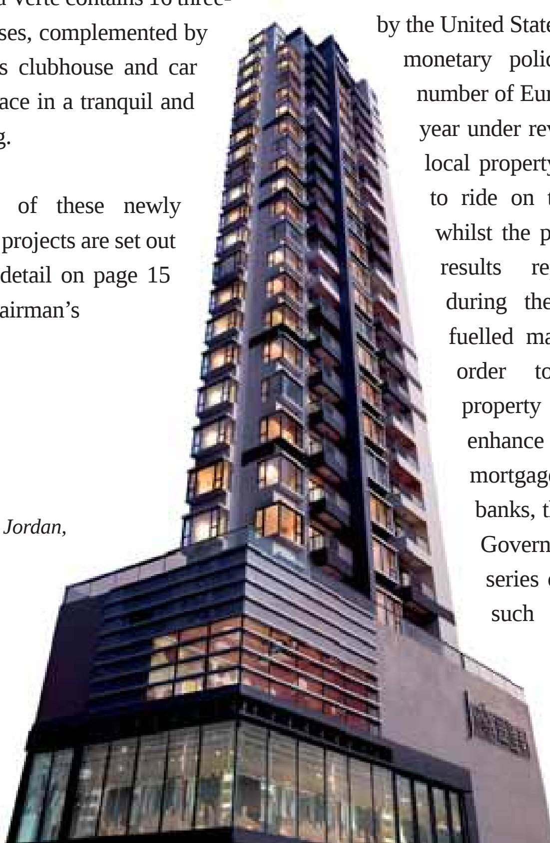
During the period under review, two luxury residential developments, namely Jade Suites in Jordan and La Verte in Fanling, were completed.

Located at Canton Road, a famous shopping boulevard with many cultural attractions such as the jade bazaar and cinematheque in its proximity, Jade Suites is coveted for its location as well as its convenience as Austin and Jordan MTR stations, as well as the future Kowloon West Terminus of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, are both within its walking distance. Atop three levels of commercial podium, a 22-storey residential tower has been built offering 62 boutique apartments to the privileged few and over 70% of the units have been sold since its launch in late 2010.

Superbly located at Jockey Club Road, Fanling, La Verte contains 16 three-storey houses, complemented by a luxurious clubhouse and car parking space in a tranquil and lush setting.

Particulars of these newly completed projects are set out in greater detail on page 15 of the Chairman's Statement.

Jade Suites, Jordan, Hong Kong (artist's impression)



Jade Suites, Jordan, Hong Kong

Property Sales

Driven by ample global liquidity as a result of the second round of quantitative easing by the United States, as well as relaxed monetary policies adopted by a number of European countries, the year under review began with the local property market continuing to ride on the cyclical upturn, whilst the positive land auction results repeatedly achieved during the year had further fuelled market sentiments. In order to curb excessive property speculation and enhance risk management of mortgage lending by local banks, the Hong Kong SAR Government announced a series of cooling measures such as lowering the mortgage loan-to-value ratio and increasing stamp duty, as well as "nine rules and twelve regulations" which governed the transparency and fairness in pre-sales and show flats. New measures further introduced in mid-November 2010, including the levy of Special Stamp Duty of up to 15% on residential properties resold within two years from purchase and the temporary suspension of real estate from the permissible investment asset classes under the Capital Investment Entrant Scheme, were effective in combating short-term speculation. However, with strong fundamentals such as the prevailing low mortgage interest rates and the tight near-term housing supply outlook, the confidence of both end-users and investors is still intact with the transaction volume having picked up gradually. Property prices, as a result, have remained buoyant.

The reported transacted prices of some of the **other developers'** luxury apartments and houses, as recently achieved in the primary or secondary market amid the heated market sentiment, are listed below:

Properties of Other Developers	Date of Sale	Area (Approx.) (sq.ft.)	Transacted price (Approx.) (HK$ Million)	Average price per square foot (Approx.) (HK$)
37B Island Road	25/01/2011	7,000	440	62,883
37C Island Road	16/12/2010	7,000	435	62,143
House 8, Severn 8	14/03/2010	4,650	280	60,215
House 5, 36 Repulse Bay Road	08/10/2010	4,260	250	58,685
House 2, 74 Mount Kellett Road	16/08/2010	4,200	230	56,310
Penthouse A, Belgravia, South Bay Road	21/10/2010	3,675	182	49,741
36/F, The Albany	22/02/2010	6,830	338	49,488
51/F, Branksome Crest	22/03/2010	4,620	203	43,939

Some other cities in the Asia Pacific region, such as Singapore and Macau, have similarly experienced an influx of foreign capital and keen buying response from local buyers and they have separately rolled out cooling measures during the year so as to rein in the soaring property prices.

The Group was active during the year in promoting the sale of a number of residential developments including the project at Headland Road in Island South, Légende Royale - The Beverly Hills (Phase 3) in Tai Po, Hill Paramount in Shatin, Green Lodge in Yuen Long and Jade Suites in Jordan with satisfactory response from buyers. Some popular residential projects such as 39 Conduit Road, The Beverly Hills (Phase 1), 8 Royal Green, The Sparkle, Cité 33, Grand Waterfront and Grand Promenade were also re-launched for sale. Altogether, a total of 572,507 square feet in attributable gross

Hill Paramount, Shatin, Hong Kong

floor area of residential properties were sold. Together with the disposal of approximately 96,410 square feet of industrial/office space, the Group sold an attributable HK$5,423 million worth of properties in Hong Kong for the year ended 31 December 2010 (before taking into account the effect of cancelled sales, including those of the 20 units at 39 Conduit Road, as referred to below).

For the 18-month period ended 31 December 2009, the turnover and profit after taxation in respect of the sale of 25 units at 39 Conduit Road, a luxury property development in which the Group has a 60% interest, were recognized in accordance with accounting policies of the Group consistently applied and which are in line with accounting principles generally accepted in Hong Kong. Among these units, completion of the sale and purchase of four units took place in mid-June 2010 and the Group received in full the amounts of purchase price receivable, together with about HK$11 million as interest for delayed completion. There was no reduction in purchase price, nor the provision of finance for those four units. Written requests were received from the respective purchasers for the cancellation of the sale and purchase agreements for the other 20 units. In accordance with the terms of the standard form of sale and purchase agreement under the Consent Scheme administered by the Government relating to pre-sale of residential units in uncompleted developments, the Group agreed to cancel the sale and purchase in respect of these 20 units and forfeited the deposit of 5% of the purchase price with the rest of the payments refunded to the purchasers. A loss of approximately HK$734 million attributable to the Group was recorded as a result of the cancellation of the sale of these 20 units. The Group agreed to cancel the sale and purchase of these units so as to avoid protracted and costly legal proceedings to claim against the original purchasers and enable the Group to offer them for sale again immediately if it so wished.

It has to be pointed out that property prices depend mainly on the supply and demand at a particular point in time, in much the same way as the price for a commodity is fixed. In the case of properties, additional

Légende Royale, Tai Po, Hong Kong

11 - 12 Headland Road, Island South, Hong Kong

considerations, such as the location of the property, the quality of the design, material and finish, and the facilities provided, would have a great impact on their pricing. Other factors that have a bearing are the low interest rate environment and inflation expectations which would prompt investors to acquire properties for investment or as a hedge against inflation. The sale of the 24 units in 39 Conduit Road was normal bona fide transactions legally conducted with unrelated parties at arm's length. It is regrettable, however, that such sale became the subject of unjustified and incorrect criticisms which could have been prompted by high property prices.

As evidence of the quality of 39 Conduit Road, a semi-duplex apartment (unit B on Level 61) was sold during the year at the price of HK$60,000 per square foot, a record price for luxury apartments. Further evidence of the quality of the Group's developments can be found at 11 and 12A Headland Road, where two houses with gross floor area of 13,033 square feet and 10,093 square feet respectively were sold during the year at a price of HK$50,641 and HK$47,360 respectively per square foot. As mentioned above, high prices were also repeatedly achieved by other luxury developments.

39 Conduit Road, Mid-Levels, Hong Kong

At 31 December 2010, the Group had over 760 residential units available for sale, comprising a total gross area of over 1.8 million square feet, of which around 1.7 million square feet was attributable to the Group. Particulars of the major development projects offered for sale and pending sale or pre-sale are shown on pages 16 and 17 of the Chairman's Statement.

Status of Major Property Developments

388 Jaffe Road, Wanchai (100% owned)

Site area	:	**4,408 square feet**
Gross floor area	:	**66,130 square feet**
Expected completion	:	**End of 2011**

Wanchai has become a popular destination for conventions and exhibitions, bringing an increasing number of upscale business and leisure travellers to that district. In order to meet their demand, a boutique hotel is now under development and The Mira Hong Kong, a leading fashionable hotel in Hong Kong, will assume its management upon its scheduled opening in the third quarter of 2012.

24 Lee Chung Street, Chai Wan (100% owned)

Site area	:	**11,590 square feet**
Gross floor area	:	**173,839 square feet**
Expected completion	:	**April 2012**

On a prime site close to an MTR terminus, a premium office tower is now under construction. Upon completion, it will feature advanced facilities, fine architecture and eco-friendly design concepts to appeal to discerning users and reinvigorate the district of Chai Wan.

The Gloucester, 212 Gloucester Road, Wanchai (100% owned)

Site area	:	**11,545 square feet**
Gross floor area	:	**113,977 square feet**
Residential units	:	**177**
Expected completion	:	**Fourth quarter of 2012**

The Gloucester is located on the prime Wanchai waterfront area, with panoramic sea views stretching from the Central to Kowloon Peninsula. This prestigious luxury residence is near an MTR station, trendy nightspots, top restaurants and stylish new entertainment venues. The development's facilities and design are meant to cater to urban elites who lead a modern lifestyle. Construction has proceeded to the superstructure stage and completion is expected by the end of 2012.

STTL 502 at Lok Wo Sha, Wu Kai Sha, Ma On Shan – Phase 1 (56.75% owned)

Site area	:	**479,804 square feet**
Gross floor area	:	**772,253 square feet**
Residential units	:	**928**
Expected completion	:	**Fourth quarter of 2012**

Adjacent to Ma On Shan MTR terminus, this high-end waterfront residential development will be completed in phases and construction for its first phase of development, which contains a total residential gross floor area of about 677,000 square feet and a shopping area of about 96,000 square feet, has already commenced. Rogers Stirk Harbour + Partners, the Concept Architect of the development, has been refining the overall planning and is introducing innovative architectural design ideas to its first residential project in Hong Kong. The sweeping panoramas of Tolo Harbour and the stylish architecture are designed to offer residents an exclusive, tranquil living environment surrounded by greenery and natural beauty spots such as Starfish Bay and To Tau Beach.

Lot 5369 and other lots in DD 116, Tai Tong, Yuen Long (To be known as Yuen Long Town Lot 526) (79.03% owned)

Site area	:	**371,630 square feet**
Gross floor area	:	**1,300,705 square feet**
Residential units	:	**2,582**
Expected completion	:	**End of 2012**

The land exchange for Lot 5369, with a site area of approximately 336,000 square feet and a residential gross floor area of 1,175,000 square feet, was completed in April 2010 with the land premium fully settled. The land exchange for this lot, together with adjacent pieces of agricultural lots, which will then be jointly known as Yuen Long Town Lot 526, is currently in progress. Land premium is being assessed by Lands Department. The proposed development at Yuen Long Town Lot 526 will comprise twelve 25-storey residential towers, a residents' clubhouse and a basement carpark, providing about 2,582 residential units, with a total gross floor area of 1,300,705 square feet in a green and relaxing environment. Foundation work is in progress.

AZURA, 2A Seymour Road, Mid-Levels West (12.5% owned)

Site area	:	**22,957 square feet**
Gross floor area	:	**206,306 square feet**
Residential Units	:	**126**
Expected completion	:	**Fourth quarter of 2012**

In the highly sought-after Mid-Levels West area, AZURA offers a sanctuary from busy city life, yet remains within easy reach of Central commercial business district and Soho's cultural and entertainment neighbourhood. Superstructure is in progress and its wing-like architectural design of the building offers a high level of privacy while maximising the city and harbour views for all units.

58-66 Boundary Street, Kowloon (100% owned)

Site area	:	**6,750 square feet**
Gross floor area	:	**57,498 square feet**
Residential Units	:	**41**
Expected completion	:	**Second quarter of 2014**

At the site of the former Newton Hotel Kowloon, which is close to both Prince Edward and Mongkok East MTR stations, a premium residential tower will be built amid lush and green surroundings. The flower bazaar and Mongkok shopping avenue are both within walking distance, offering unparalleled convenience to its residents. The development will have a modern, elegant exterior with luxury materials and clubhouse facilities and is poised to become a new benchmark for luxury living in the neighbourhood.

30-38 Po Tuck Street and 36 Clarence Terrace, Hong Kong (100% owned)

Site area	:	**7,310 square feet**
Gross floor area	:	**61,103 square feet**
Residential Units	:	**140**
Expected completion	:	**Second quarter of 2014**

Adjacent to the Hong Kong University station of the MTR West Island Line, which is scheduled to commence its operation in 2014, this development is poised to provide easy access for its residents to every part of the city upon its scheduled completion in 2014. Also, it is close to a number of prestigious primary and secondary schools, as well as the University of Hong Kong which is one of the top higher education institutions in the world.

Major Development Projects

Major Projects Under Development

1 388 Jaffe Road, Wanchai
2 24 Lee Chung Street, Chai Wan
3 The Gloucester, 212 Gloucester Road, Wanchai
4 Lok Wo Sha, Wu Kai Sha, Shatin
5 Lot 5369, DD 116 at Tai Tong Road, Yuen Long
6 AZURA, 2A Seymour Road, Mid-Levels West
7 58-66 Boundary Street
8 30-38 Po Tuck Street and 36 Clarence Terrace

Major Completed Development Projects Offered for Sale or Pending Sale

9 Casa Marina I, 28 Lo Fai Road, Tai Po
10 Casa Marina II, 1 Lo Ping Road, Tai Po
11 The Beverly Hills – Phase 1, 23 Sam Mun Tsai Road, Tai Po
12 The Sparkle, 500 Tung Chau Street, Cheung Sha Wan
13 8 Royal Green, 8 Ching Hiu Road, Sheung Shui
14 39 Conduit Road, Mid-Levels
15 Hill Paramount, 18 Hin Tai Street, Shatin
16 Green Lodge, Tong Yan San Tsuen, Yuen Long
17 Légende Royale, The Beverly Hills - Phase 3, 23 Sam Mun Tsai Road, Tai Po
18 11,12,12A,12B Headland Road, Island South
19 Jade Suites, 600 Canton Road, Jordan
20 La Verte, 283 Jockey Club Road, Fanling

Existing Line

MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel

Under Construction

West Island Line
Guangzhou - Shenzhen - Hong Kong Express Rail Link

Under Planning

North Hong Kong Island Line
Northern Link
Shatin to Central Link
South Island Line (East & West)

Residential / Hotel Serviced Suites
Commerical / Residential
Office


13
Sheung Shui
Lok Ma Chau
20
Fanling
9
10
11
17
Tai Po
Yuen Long
5
16
New Territories
4
Ma On Shan
Sai Kung
Tsuen Wan
Shatin
15
Tsing
Yi
12
7
Kowloon
19
Discovery Bay
Tseung Kwan O
8
14
6
3
1
Quarry Bay
2
Hong Kong Island
18

Property Investment

2010 Highlights

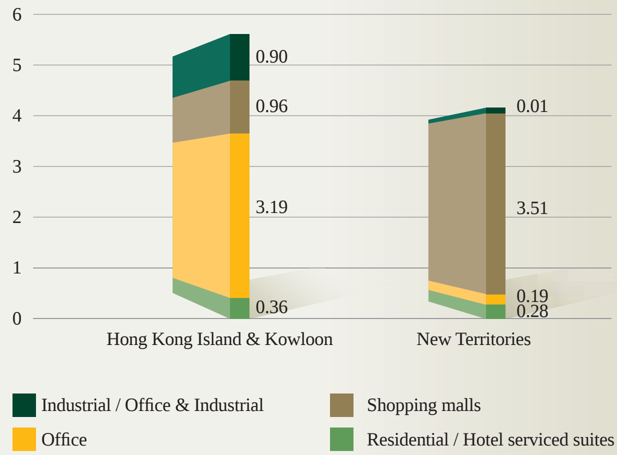
- Including contributions from associates and jointly controlled entities, gross rental income increased by 8% year-on-year to HK$4,398 million
- 9.4 million square feet in attributable gross floor area of completed investment properties with another 1.0 million square feet of hotels
- Quality portfolio with core properties attaining 94.5% occupancy at 31 December 2010

At 31 December 2010, the Group held a total attributable gross floor area of approximately 9.4 million square feet in completed investment properties in Hong Kong, comprising 4.5 million square feet of commercial or retail space, 3.4 million square feet of office space, 0.9 million square feet of industrial/office space and 0.6 million square feet of residential and apartment space. This leasing portfolio is geographically diverse, with 25% in Hong Kong Island, 33% in Kowloon and the remaining 42% in the New Territories (with most of the latter being shopping malls).

The composition of the Group's diverse property investment portfolio at 31 December 2010 is shown in the accompanying chart.

Since the turn of the year, robust recovery has been seen across all property sectors in the leasing market and the Group's attributable gross rental income in Hong Kong for the year ended 31 December 2010, including that derived from the investment properties owned by the Group's associates and jointly controlled entities, increased by 8% year-on-year to HK$4,398 million, whilst pre-tax net rental income was HK$3,147 million, representing a growth of 9% over that for the 12 months ended 31 December 2009. At 31 December 2010, the leasing rate for the Group's core rental properties (including the portfolio of premium office and industrial premises in Kowloon East) stayed high at 94.5%.

Investment Properties
(gross floor area in million square feet)




ifc mall, Central, Hong Kong

Commercial

The Group holds 4.5 million square feet of prime shopping space spread over various strategic locations in Hong Kong.

Helped by a robust growth in mainland tourist spending and a revival in local consumption with the improved job market, Hong Kong's retail market staged a strong rebound in 2010 with double digit growth in local retail sales throughout the year. The ifc mall at Central was virtually fully let with a significant increase in rental income. The Group's other large-scale shopping malls in the new towns, including Metro City Phase III in Tseung Kwan O and City Landmark II in Tsuen Wan, were fully let, while Sunshine City Plaza in Ma On Shan, Citimall in Yuen Long, Metro City Phase II in Tseung Kwan O, Fanling Centre in Fanling and Shatin Plaza in Shatin also recorded nearly full occupancy by the end of the financial year.

For the retail portfolio, the Group continued to stage innovative marketing activities and undertake renovation initiatives so as to attract more shoppers. Rentals for Trend Plaza in Tuen Mun, for instance, were bid up considerably following the completion of a major revamp at its South Wing, whilst renovation to the external wall of its North Wing is scheduled to kick off shortly. Refurbishment of Sunshine City Plaza in Ma On Shan has just commenced, whilst the planning of renovation works for Citimall in Yuen Long and City Landmark I in Tsuen Wan is currently in the pipeline.

AIA Financial Centre, San Po Kong, Hong Kong

Offices

The Group owns approximately 3.4 million square feet of rental office space, mainly located in the urban business districts.

Against a backdrop of upbeat business outlook, the expansion of existing businesses and new corporate set-ups, as well as buoyant hiring activities lent strong support to office demand in Hong Kong. The Group's quality office developments in the core areas, such as the ifc in Central, AIA Tower in North Point as well as ING Tower and Golden Centre in Sheung Wan, have all performed well with increased rents for both renewals and new lettings in most of the cases during the second half of 2010. The limited office space available for leasing in the central business district prompted some tenants to relocate to fringe areas and the Group's approximately 2,000,000-square-foot portfolio of newly-built premium office and industrial premises in Kowloon East benefited from this trend of office decentralization with the overall leasing rate surged from 60% at 31 December 2009 to 87% at 31 December 2010. AIA Financial Centre (formerly known as International Trade Centre) in San Po Kong, was 94% let at 31 December 2010 compared to 74% at 31 December 2009, while the leasing rate of Manulife Financial Centre in Kwun Tong increased from 66% at 31 December 2009 to 87% at 31 December 2010 and to 94% at 1 March 2011.

The Group regularly upgrades its investment properties so as to stay ahead of the market and enhance their rental values. During the year, the facelift to Kowloon Building on Nathan Road as well as the facility upgrade for Golden Centre in Sheung Wan were completed. In order to further appeal to discerning office tenants with an eye on sustainability, a number of quality buildings such as Manulife Financial Centre are in the process of applying for certifications under the globally recognized HK-BEAM.

Residential / Hotel Serviced Suites

The Group holds about 0.6 million square feet of residential properties / hotel serviced suites for lease, making its investment property portfolio more balanced and diversified.

The sustained influx of overseas companies, as well as their expatriate staff, was also a key driver of leasing demand for luxury residences. With such resilient residential demand, coupled with limited availability of quality stock, the Group's serviced apartments and luxury residences have both performed well. The serviced suite hotel at Four Seasons Place, being the preferred choice for newly-arrived expatriate executives from the legal, banking and financial sectors, continued to achieve high occupancy and increased rents, whilst Eva Court at Mid-Levels also recorded satisfactory occupancy with higher rent for both renewals and new lettings. During the year, rental units in 39 Conduit Road, the Group's premier development in Mid-Levels, were launched for lease with very encouraging response.

Other Properties

The Group owns a number of rentable car parking spaces, generating steady rental income. The Group also owns approximately 0.9 million square feet of industrial premises. Some of the industrial buildings, such as Big Star Centre at 8 Wang Kwong Road, Kowloon Bay, are being evaluated for conversion into other uses such as offices or hotels.

Major Completed Investment Properties

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq.ft.) Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
Hong Kong Island									
Eva Court	36 MacDonnell Road, Mid-Levels	2895	100.00	108,214	-	-	-	108,214	49
Golden Centre	170-188 Des Voeux Road, Central	2050	100.00	-	21,842	134,450	-	156,292	-
ING Tower	308-320 Des Voeux Road Central / 98-116 Wing Lok Street	2865	100.00	-	31,987	182,373	-	214,360	-
AIA Tower	183 Electric Road, North Point	2047	94.56	-	21,123	463,412	-	484,535	242
One International Finance Centre	1 Harbour View Street, Central	2047	40.51	-	53,124	317,793	-	370,917	71
Two International Finance Centre (excluding levels of 33 to 52, 55, 56 and 77 to 88)	8 Finance Street, Central	2047	40.51	-	206,151	448,975	-	655,126	189
Four Seasons Place	8 Finance Street, Central	2047	40.51	214,724	-	-	-	214,724	7
20/F., Nine Queen's Road Central	9 Queen's Road Central	*(Note 1)*	100.00	-	-	13,742	-	13,742	-
CentreStage	108 Hollywood Road	2072	100.00	-	16,084	-	-	16,084	64
39 Conduit Road	39 Conduit Road, Mid-Levels	2061	60.00	37,516	-	-	-	37,516	65
Kowloon									
Hollywood Plaza	610 Nathan Road, Mong Kok	2047	33.33	-	33,511	64,422	-	97,933	-
Kowloon Building	555 Nathan Road, Mong Kok	2060	100.00	-	28,656	84,626	-	113,282	-
Winning Centre	29 Tai Yau Street, San Po Kong	2047	100.00	-	-	-	150,212	150,212	-
Well Tech Centre (excluding levels 16 and 17)	9 Pat Tat Street, San Po Kong	2047	100.00	-	-	-	158,993	158,993	40
Big Star Centre	8 Wang Kwong Road, Kowloon Bay	2047	100.00	-	-	-	175,447	175,447	20
579 Nathan Road	579 Nathan Road, Mong Kok	2037	100.00	-	7,805	18,810	-	26,615	-
Paradise Square	3 Kwong Wa Street, Mong Kok	2054	100.00	-	25,979	-	-	25,979	72
Dragon Centre	79 Wing Hong Street, Cheung Sha Wan	2023	100.00	-	-	-	172,117	172,117	76
Manulife Financial Centre	223-231 Wai Yip Street, Kwun Tong	2050	88.50	-	47,860	919,004	-	966,864	394
78 Hung To Road	78 Hung To Road, Kwun Tong	2047	100.00	-	-	-	119,995	119,995	17
Bamboos Centre	52 Hung To Road, Kwun Tong	2047	100.00	-	-	-	125,114	125,114	-
AIA Financial Centre	712 Prince Edward Road East, San Po Kong	2047	100.00	-	-	216,593	-	216,593	70
Cité 33	33 Lai Chi Kok Road, Mong Kok	2026	100.00	-	15,624	-	-	15,624	-
The Sparkle	500 Tung Chau Street, Cheung Sha Wan	2055	100.00	-	53,443	-	-	53,443	-

Name	Location	Lease expiry	Group's interest (%)	Attributable gross floor area (sq.ft.) Residential/ Hotel Serviced Suite	Commercial	Office	Industrial/ Office	Total	Attributable no. of carpark
New Territories									
Fanling Centre	33 San Wan Road, Fanling	2047	100.00	-	151,513	-	-	151,513	302
Flora Plaza	88 Pak Wo Road, Fanling	2047	60.00	-	94,657	-	-	94,657	130
The Trend Plaza	Tuen Mun Heung Sze Wui Road, Tuen Mun	2047	100.00	-	195,280	-	-	195,280	78
Marina Cove	Lot No. 526 in D.D. No. 210, Sai Kung	2047	40.00	-	9,566 *(Note 2)*	-	-	9,566	151
City Landmark I	68 Chung On Street, Tsuen Wan	2047	74.96	-	138,555	156,981	-	295,536	100
City Landmark II	145-165 Castle Peak Road, Tsuen Wan	2047	100.00	-	155,022	-	-	155,022	127
Skyline Plaza	88 Tai Ho Road, Tsuen Wan	2047	100.00	-	154,259	-	-	154,259	104
Shatin Centre	2-16 Wang Pok Street, Sha Tin	2047	100.00	-	100,029	-	-	100,029	545
Shatin Plaza	21-27 Shatin Centre Street, Sha Tin	2047	77.55	-	114,730	-	-	114,730	103
Blocks A & B, Sunshine City	18 On Shing Street, Ma On Shan	2047	100.00	-	9,305	-	-	9,305	-
Blocks C & D, Sunshine City	22 On Shing Street, Ma On Shan	2047	50.00	-	5,118	-	-	5,118	-
Blocks N, P, Q & R, Sunshine City	8 On Shing Street, Ma On Shan	2047	100.00	-	58,881	-	-	58,881	196
Sunshine City Plaza	18 On Luk Street, Ma On Shan	2047	100.00	-	532,637	-	-	532,637	831
Sunshine Bazaar	628 Sai Sha Road, Ma On Shan	2047	100.00	-	79,642	-	-	79,642	234
Citimall	1 Kau Yuk Road, Yuen Long	2047	100.00	-	140,341	-	-	140,341	51
La Cité Noble Shopping Arcade	1 Ngan O Road, Tseung Kwan O	2047	100.00	-	35,186	-	-	35,186	-
Dawning Views Plaza	23 Yat Ming Road, Fanling	2047	100.00	-	87,766	-	-	87,766	-
Metro City Phase 2 Shopping Arcade	8 Yan King Road, Tseung Kwan O	2047	100.00	-	956,849	-	-	956,849	669
The Metropolis, Metro City Phase 3 Shopping Arcade	8 Mau Yip Road, Tseung Kwan O	2047	100.00	-	266,954	-	-	266,954	232
Citygate	20 Tat Tung Road, Tung Chung, Lantau Island	2047	20.00	-	92,536	32,280	-	124,816	233
Phases 1 & 2, The Beverly Hills	23 Sam Mun Tsai Road, Tai Po	2047	90.10	110,077	-	-	-	110,077	51
The Sherwood	8 Fuk Hang Tsuen Road, Tuen Mun	2052	100.00	-	30,139	-	-	30,139	308
			Total:	**470,531**	**3,972,154**	**3,053,461**	**901,878**	**8,398,024**	**5,821**

Note 1: Of the four land lots for this building, three lots expire in 2854 and the remaining lot expires in 2856

Note 2: In addition there are 121 pontoons and 30 hardstand spaces attributable to the Group

Major Completed Investment Properties

1 Eva Court
2 Golden Centre
3 ING Tower
4 AIA Tower
5 One International Finance Centre
6 Two International Finance Centre
7 Four Seasons Place
8 Nine Queen's Road Central
9 CentreStage
10 39 Conduit Road
11 Hollywood Plaza
12 Kowloon Building
13 Winning Centre
14 Well Tech Centre
15 Big Star Centre
16 579 Nathan Road
17 Paradise Square
18 Dragon Centre
19 Manulife Financial Centre
20 78 Hung To Road
21 Bamboos Centre
22 AIA Financial Centre
23 Cité 33
24 The Sparkle
25 Fanling Centre
26 Flora Plaza
27 The Trend Plaza
28 Marina Cove
29 City Landmark l
30 City Landmark ll
31 Skyline Plaza
32 Shatin Centre
33 Shatin Plaza
34 Blocks A & B, Sunshine City
35 Blocks C & D, Sunshine City
36 Blocks N, P, Q, & R, Sunshine City
37 Sunshine City Plaza
38 Sunshine Bazaar
39 Citimall
40 La Cité Noble Shopping Arcade
41 Dawning Views Plaza
42 Metro City Phase 2 Shopping Arcade
43 The Metropolis
44 Citygate
45 The Beverly Hills – Phases 1 & 2
46 The Sherwood

Existing Line

MTR
Tung Chung Cable Car
Light Rail
Route 3
Cross Harbour Tunnel

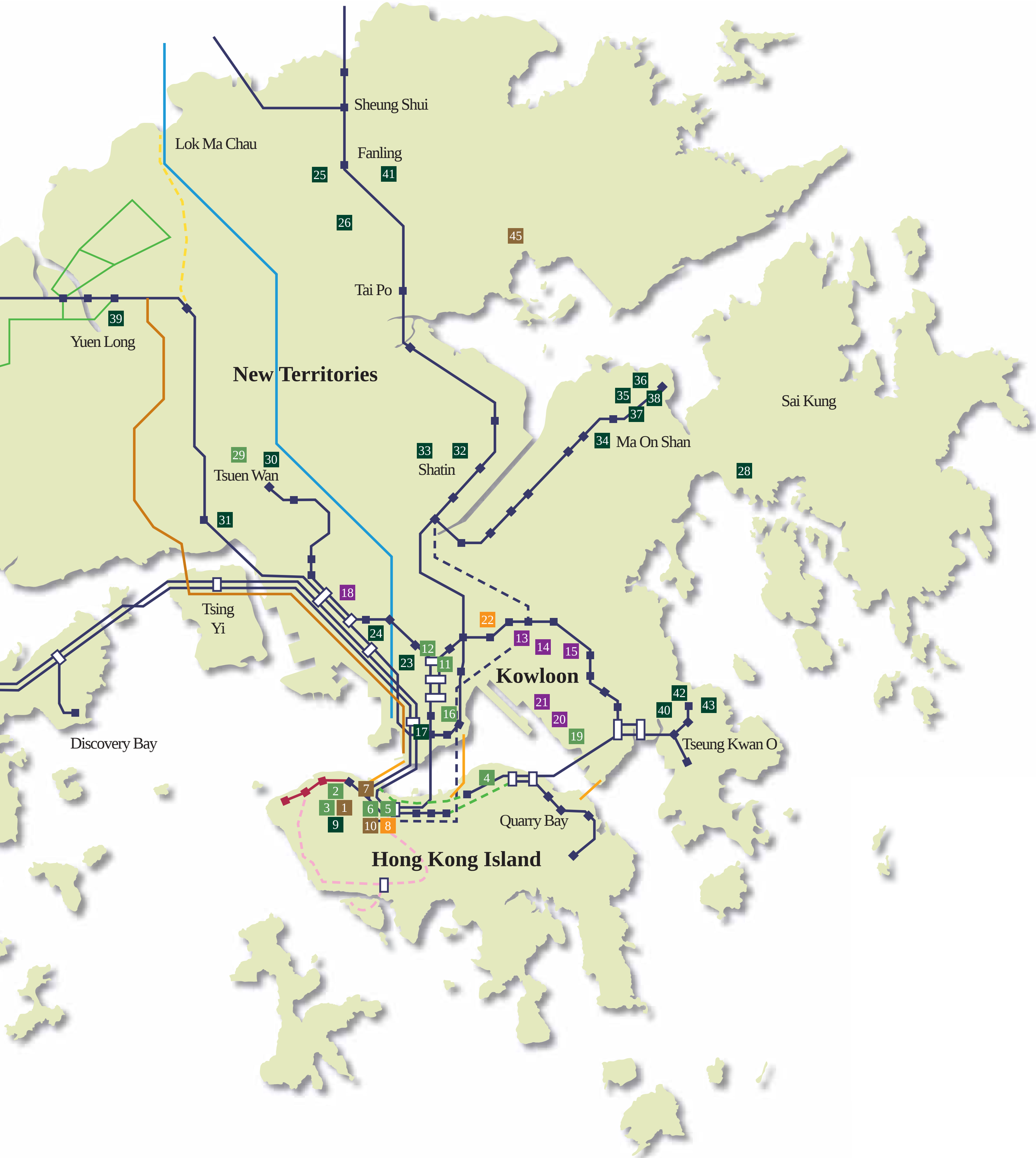
Under Construction

West Island Line
Guangzhou - Shenzhen - Hong Kong Express Rail Link

Under Planning

North Hong Kong Island Line
Northern Link
Shatin to Central Link
South Island Line (East & West)

Residential / Hotel Serviced Suites
Commerical
Office
Industrial & Offices
Commerical & Offices



Sheung Shui
Lok Ma Chau
Fanling
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Tai Po
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Yuen Long
New Territories
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Tseung Kwan O
Discovery Bay
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Quarry Bay
Hong Kong Island

Property Related Businesses

Hotel and Retailing Operations

The recovering global economy, appreciation of most currencies against the Hong Kong dollar, as well as the further expansion of the scope of the Individual Visit Scheme by the Central Government, have all contributed to the record-breaking visitor arrivals to Hong Kong in 2010 - a significant improvement as compared with the preceding accounting period, when tourism was severely hit by the global financial crisis and H1N1 pandemic.

During the year, The Four Seasons Hotel continued to build its international reputation and win numerous prestigious accolades including Forbes five-star award for hotel and being named one of the top four hotels in the world by Institutional Investor magazine. Its signature Lung King Heen and Caprice restaurants also took two spots out of three restaurants in Hong Kong to have been awarded Three Michelin Stars in the latest Michelin Guide to Hong Kong and Macau 2011. With such premier services in an unmatched location at the Central waterfront, The Four Seasons Hotel recorded significant business growth along with the market recovery.

The Four Seasons Hotel, Central, Hong Kong

Newton Hotel Kowloon ceased its operation in June 2010 to make way for redevelopment into a residential property, whilst the remaining three Newton hotels owned by the Group, namely, the 362-room Newton Hotel Hong Kong, the 317-room Newton Inn North Point and the 598-room Newton Place Hotel, have all performed well with satisfactory improvement in both average room rates and occupancy. In order to capture the growing business opportunities from the niche market, a boutique hotel, with 92 suites and rooms covering a gross floor area of over 66,000 square feet, at 388 Jaffe Road, Wanchai, is scheduled for opening in the third quarter of 2012 and it will be operated by The Mira Hong Kong, a leading hip hotel in Hong Kong. By integrating state-of-the-art facilities and eco-friendly features into its design, this hotel is targeted at discerning travellers seeking individuality, style and personalized service.

Established in 1989 as a complementary business to the Group's shopping facilities, Citistore's retailing operation has developed into a network of five department store outlets and two "id:c" specialty stores in Hong Kong. On the back of positive consumption sentiment, Citistore recorded a satisfactory growth of 29% year-on-year to a total of HK$54 million in profit contribution during the year. In mainland China, the Group held, through its wholly-owned subsidiary, Sin Cheng Holdings Pte Ltd ("Sin Cheng"), interests in the jointly controlled entity, Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre which operates and manages department stores. In October 2010, the Group entered into an agreement with Intime Department Store (Group) Company Limited ("Intime", stock code: 1833) in relation to the sale of the Group's entire equity interest in Sin Cheng for a consideration of HK$1,612.5 million (subject to adjustment), which was satisfied by the issuance to the Group of 147,664,835 new Intime shares upon completion. The transaction was completed on 22 December 2010, resulting in a net gain on disposal to the Company of approximately HK$1,007 million, with an approximately 7.73% equity interest of Intime held by the Group. Intime is developing as a renowned department store chain with investment in around 22 department stores and shopping centres across major cities in mainland China including Beijing, Wuhan, Xian, Hangzhou, Ningbo, Wenzhou and Jinhua.

Construction

The Group aims to develop the finest properties, offering unparalleled quality and comfort to the users and their neighbourhoods. As part of this quality pledge, inter-departmental communication and stakeholder engagement are always encouraged so as to ensure that a quality and eco-conscious approach is adopted throughout all phases of a development project.

For a development project in the suburban area, the Group during the year worked with the Government, environmental groups and local villagers to conserve the ecology of the neighbouring 4.74 hectares of wetland, which was considered as a promising area for the protected habitats. Meanwhile, energy-efficient and sustainable features recommended by the LEED and BEAM Plus have been persistently integrated into the design of the Group's new developments, whilst waste and noise controlling measures have also been adopted during demolition and construction so as to minimize disruption to the surrounding communities. With such a committed approach to environmental protection and stringent monitoring of the whole construction process, the Group received numerous accolades including "Considerate Contractors Site Award" from the Development Bureau of the Hong Kong SAR Government.

Apart from sustainability, the Group also places great importance on the cost-effectiveness in the procurement of building materials: supplies for most of the projects under development have been largely secured, enabling the Group to contain cost in the prevailing inflationary environment.

The Group received Gold Considerate Contractors Site Award (Non-Public Works - RMAA Works)

For the Group's talented workforce, their safety on site and professional development top the Group's priority. During the year, the Group won "Proactive Safety Contractor Award" from The Hong Kong Construction Association as the accident rate for the Group's construction activities was well below the industry average. Meanwhile, the Group supported a wide array of construction-related seminars and exhibitions organized by professional bodies such as The University of Hong Kong and The Construction Industry Council Training Academy, nurturing a learning culture to stay current with new developments.

The Group's professional expertise and quality management have also been extended to its developments in mainland China. In addition to its tight grip over all key aspects of development such as contractor selection and material sourcing, the Construction Department has also maintained an ongoing dialogue with contractors and on-site inspection so as to ensure that all the mainland projects are completed on time, within budget and in line with the Group's stringent quality requirements.

Property Management

The Group's member property management companies, Hang Yick Properties Management Limited ("Hang Yick") and Well Born Real Estate Management Limited ("Well Born"), collectively manage over 75,500 apartments and industrial/commercial units and 18,000 car parking units in Hong Kong. Their professional accreditations such as ISO 9001 Quality Management System Certification, ISO 10002 Complaint Management System Certification, ISO 14001 Environmental Management System Certification, OHSAS 18001 Occupational Health & Safety Management Certification and Q-Mark Service Scheme Certification all reflect their commitment to service excellence and customer satisfaction.

During the year, they received over 600 performance-related accolades including Excellence in Facility Management Award by Hong Kong Institute of Facility Management, Corporate Environmental & Social Leadership of the Year and Customer Service Center of the Year in Asia Pacific Customer Relationship Excellence Awards, as well as the Gold Award in the Best Landscape Award for Private Property Development by the Leisure and Cultural Services Department. Meanwhile, their unflagging efforts in promoting sustainability have paid off with many properties under their management being praised for their excellence in waste separation and indoor air quality. Being named as Caring Company for consecutive years, they were also given the designation of Manpower Developer 1st by the Employees Retraining Board ("ERB") for its devotion to staff training, in addition to the honours of ERB Excellence Award for Employer.

Excellence in Facility Management Award 2010 presentation ceremony

Hang Yick and Well Born also provided their quality property handover and management services to the Group's property developments in mainland China. Serving a total of more than 5,000 mainland apartments, they have gained growing recognition for their excellent services and Hengli Wanpan Huayuan was recently accredited as a "Community Showcase in Guangdong Province", in addition to the honours of "Excellent Property Management Community Showcase in Guangdong Province" awarded to Hengbao Garden.

Marketing

During the year, changes in market sentiment arose due to the volatile macroeconomic environment, an influx of capital and various HKSAR Government measures that were introduced to reduce property market speculation. Henderson Land responded to these conditions by adopting a flexible marketing approach in order to establish a niche appeal for various properties. The Group paid special attention to every detail of its new projects, emphasizing the luxury lifestyle and the pleasure and leisure that homebuyers would be able to enjoy. Targeted events were organized to appeal to the niche luxury market for high-end properties, while promotional activities were carried out on-site at exclusive property venues due to the Group's confidence in the demand for high quality development projects.

To capitalize on the proportionally increasing interest from Mainland buyers, road shows, exhibitions and investment seminars showcasing the Group's key properties in its Hong Kong portfolio were organized in major Mainland cities. In its ongoing commitment to excellence, the Group is striving to create even more remarkable development projects that will be highly sought after by property buyers.

Hill Paramount

(18 Hin Tai Street, Shatin)

With an impressive façade, Hill Paramount is situated atop a vantage point in Shatin Mid-Levels. Its elevated position commands superb panoramic green views and is complimented by a tranquil living environment. The property offers a premium mix of residences, comprising 153 deluxe homes in two 27-storey towers, plus four detached houses. The Group adopted a carefully chosen marketing theme "A Masterpiece for the Mastermind", to celebrate the distinctive architecture and amenities of the property. These features were the brainchild of the Group's professional project teams who used their expertise to match the aspirations and achievements of prospective buyers. Pertinent target buyers included professionals, entrepreneurs and affluent families in the neighbourhood.

The Group commissioned a TV commercial for Hill Paramount to convey its upscale image to a broader audience. The commercial was shot in South Africa using locations that emphasized the key features of the property, such as high ceilinged rooms and an exclusive driveway.

After the screening of the TV commercial, a series of press conferences were held to introduce the scores of unique features incorporated in Hill Paramount. Among these, the Group has become the first developer in Hong Kong to cooperate with the Italian kitchen cabinet brand Follina Cucine, with an agreement to tailor their premium products for the Group exclusively for five years. Pioneering features include Senso flip doors and drawers in all Executive Units that automatically close or open with just a light touch. The naming of Executive Units and detached houses was formally announced to highlight their exclusivity, with the principal ones being the Chairman House, Chairman Penthouse and Chairman Suite. A preferential mortgage package announcement and a Henderson Club members' priority tour to the Hill Paramount show flats themed French Garden Charm and Geometric Chic were also organized.

Further marketing efforts centered on enhancing the experiences of potential buyers and visitors. The Group collaborated with Artlinks Asia to introduce acrylic sculptural works by Michael Wilkinson in the sales office and in on-site residential lifts at Hill Paramount. A romantic realist, Wilkinson's works have an established following among the glitterati, such as

Hill Paramount, Shatin, Hong Kong

the Dubai royal family and Hollywood celebrities.

The Group also made use of on-site promotional opportunities to enable potential buyers to experience firsthand the grandeur at Hill Paramount. A "Moonlight Serenade" Night Party was held on the day after Mid-Autumn Festival with the opening ceremony officiated by the cast of a recent TV hit series, together with delightful synchronized swimming and singing performances. The event attracted hundreds of prominent guests.

Légende Royale – The Beverly Hills, Phase 3

(23 Sam Mun Tsai Road, Tai Po)

Légende Royale is the Phase 3 premises of The Beverly Hills. To capture the appeal of the clubhouse facilities and spectacular coastline environment of The Beverly Hills, the Group commissioned a TV commercial that highlighted the on-site environment of the property. The storyline portrayed the majestic lifestyle of a glamourous family of three and centred around the exclusive facilities at Légende Royale, including the residents' yacht *The Beverly*, the 1.8 million square feet grassy relaxation spaces and the 350-metre children's mini-racecar track. The TV commercial was aired in teaser form initially to intrigue the audience.

The Group also staged a series of events to publicize the unique facilities and luxury provisions that are key features of Légende Royale. An on-site press conference highlighted the indoor childrens' mini-racecar track, a first-of-its-kind in Hong Kong residential properties. Another press conference took place at the on-site show flats to showcase the renowned branded provisions of Poliform, the world-famous Italian furniture brand. Weekend promotions were also arranged in which potential buyers were invited on board *The Beverly* to appreciate the grand architecture of Légende Royale from the Tolo Harbour.

Légende Royale was also chosen as a venue by renowned model Miss Carrie Lam for some of the shots in her first charitable photo album "Carrie Me". The ultra stylish theme of the photo album called for a shooting venue as glamourous as Légende Royale. A portion of the sales proceeds from the album was donated to the Care for Children Foundation. The property was also the official venue sponsor of the "Miss Hong Kong Pageant 2010" contestant debut press conference.

To further project a luxury lifestyle positioning for the property, the Group cooperated with top international brands. The "Summer Delight at Légende Royale" was a collaboration with one of the world's largest automobile manufacturers, Volkswagen. The status and class of the Volkswagen brand matched with the luxury positioning of Légende Royale, given most of the target buyers were car owners. On top of experiencing the property environment, guests were able to preview and test drive the latest car models and watch a catwalk display of chic summer fashion. They were also introduced to the value-added features at Légende Royale including ample spacious parking and the separation of car and pedestrian flows.

Légende Royale was the official sponsor for the venue of "Miss Hong Kong Pageant 2010" contestant debut press conference.

Another prestigious event held at Légende Royale was the Jaeger-LeCoultre Heritage Gallery, which retraced the main steps that led to the creation of four calibers presented in 2010 by the Swiss luxury watch brand. The Group shares a similar vision with Jaeger-LeCoultre in its dedication to innovation. Facilities unique to any Hong Kong properties were introduced at Légende Royale, such as a 350-metre mini-racecar track and an indoor ski training venue, the first-ever in a private Hong Kong residence. The opening event featuring a catwalk show of deluxe watches and latest fashion wear attracted hundreds of connoisseurs.

In order to sustain buyers' interest, the Grand House X Grand Tourer Lucky Draw was arranged by the Group. Purchasers of Légende Royale within an eight-month period were entitled to enter the lucky draw. The Grand Prize was "The Beverly Hills / Légende Royale Special Edition" Mercedes-Benz SLS AMG super sports car valued at around HK$3.35 million.

The mini-racecar track at Légende Royale is unique to Hong Kong residential properties.

Green Lodge, Yuen Long, Hong Kong

Green Lodge

(23 Ma Fung Ling Road, Tong Yan San Tsuen, Yuen Long)

Comprising low-density luxury villas, Green Lodge boasts modern architecture set in a tranquil environment. The Group targeted end users and potential buyers looking for home upgrades in the neighbourhood. The property was well-received in the market with the majority of units sold within a short period of time. Building on the principle of "Putting People First", the Group conceived a sales guide of one-unit-per-purchaser to reduce market speculation thereby ensuring a reasonable price for buyers. Utilizing the relaxing ambiance at Green Lodge, the Group organized cost effective weekend promotions with a European touch that appealed to the enjoyment of the whole family. These included handicraft workshops, acrobatic performances and a flower exhibition.

Industry Recognition

The quality of the Group's properties and the innovative marketing initiatives used, achieved widespread media recognition during the year.

The Beverly Hills
Capital Magazine
CAPITAL's Best Developer Awards 2010
Best Developer – Green Development

Légende Royale
21st Century Business Herald
The Ten Golden Brick Award of China Real Estate
2010 Classic Residence Award

Wen Wei Po
"A Better Life • China Real Estate Billboard"
Top Quality Luxury Residences Award

Henderson Club

Established six years ago, Henderson Club is responsible for the Group's customer relationship management activities and for enhancing communication and understanding between the Group and its clients.

As part of its commitment to providing excellent service, during the year the Club organized a wide range of joint activities on many different scales. Delivered in association with various Group subsidiaries as well as other organizations, these events included a free health seminar organized by Union Hospital, exclusive previews of show flats for the Group's new properties, a cake making class in partnership with The Hong Kong and China Gas Company Limited, and rowing activities co-organized with Hong Kong, China Rowing Association.

For the second consecutive year, a Henderson Club team, participated in Hong Kong's largest running event, the Standard Chartered Hong Kong Marathon, and won the top nine prize in the Most Supportive Group Award, which recognizes companies/organizations with the most participants registered in the Marathon. This is the second year in a row that the Team has won this award.

Another highlight of the year was a Cooking Contest for entertaining residents and Club members hosted by Henderson Club during the late summer. Entitled "Henderson Club Cooking Contest", the contest received strong interest from many participants.

Henderson Club is committed to providing excellent customer service, and endeavours to offer an extensive range of privileged offers to the Group's customers to satisfy their wide variety of interests. These range from exclusive discounts at designated retail outlets and restaurants at the Group's shopping malls, to the special offers from other retail outlets throughout Hong Kong. To enjoy these privileges, customers must present their Henderson Club Credit Card.

To cater for the different needs of our clients, from time to time the Club reviews its communication formats. During the year, the design and content of the Club newsletter was enhanced again in order to provide clients with even greater diversity of information.

"Henderson Club Cooking Contest" for members of Henderson Club

A BLOSSOMING REGIONAL BUSINESS

The Hong Kong and China Gas Company Limited *continues to consolidate its role as the number one city-gas group in Hong Kong and mainland China, with more than 1.7 million customers in Hong Kong, and 93 piped city-gas businesses in 17 mainland provinces, municipalities, and autonomous regions serving nearly 12 million customers across the country. With the company's continued solid growth and innovation, the Towngas brand is becoming synonymous with quality, reliability and commitment to a cleaner future.*

Subsidiary & Associated Companies

Henderson Investment Limited ("HIL")

(67.94%-owned by the Company)

Stock code: 97 Website: www.hilhk.com

For the year ended 31 December 2010 this group's profit attributable to equity shareholders amounted to HK$163 million compared to HK$156 million for the 18-month period ended 31 December 2009, an increase of HK$7 million or 5%. Nevertheless, for a comparison of this group's profit attributable to equity shareholders for the year ended 31 December 2010 with that for the corresponding period of 12 months ended 31 December 2009 which therefore excludes this group's reported profit attributable to equity shareholders of HK$61 million for the six months ended 31 December 2008, this group's profit attributable to equity shareholders for the corresponding period of 12 months ended 31 December 2009 was HK$95 million. On this basis, this group's profit attributable to equity shareholders of HK$163 million for the year ended 31 December 2010 represented an increase of HK$68 million, or 72%, over and above such profit attributable to equity shareholders of HK$95 million for the corresponding period of 12 months ended 31 December 2009. Such increase was mainly attributable to (i) the increased profit contribution from this group's operating right of a toll bridge in Hangzhou during the year ended 31 December 2010 of HK$29 million compared with the corresponding period of 12 months ended 31 December 2009; (ii) the net gain on the disposal of HIL's entire interest in Maanshan Huan Tong Highway Development Limited ("Maanshan Highway JV") attributable to equity shareholders of HIL of HK$26 million; and (iii) a dividend income received during the year of HK$11 million in relation to a project which was completed in 2004 and in which HIL had an 8% interest.

After divesting its entire interest in Maanshan Highway JV, this group's core asset is its 60% interest in Hangzhou Qianjiang Third Bridge. During the year, Hangzhou Qianjiang Third Bridge reported a steady year-on-year growth of 17% in toll revenue to HK$317 million, mainly driven by the increase in traffic volume given its prime location in Hangzhou.

Hangzhou Qianjiang Third Bridge

The Hong Kong and China Gas Company Limited

(39.88%-owned by the Company)

Stock code: 3 Website: www.towngas.com

Towngas China Company Limited

(66.49%-owned by The Hong Kong and China Gas Company Limited)

Stock code: 1083 Website: www.towngaschina.com

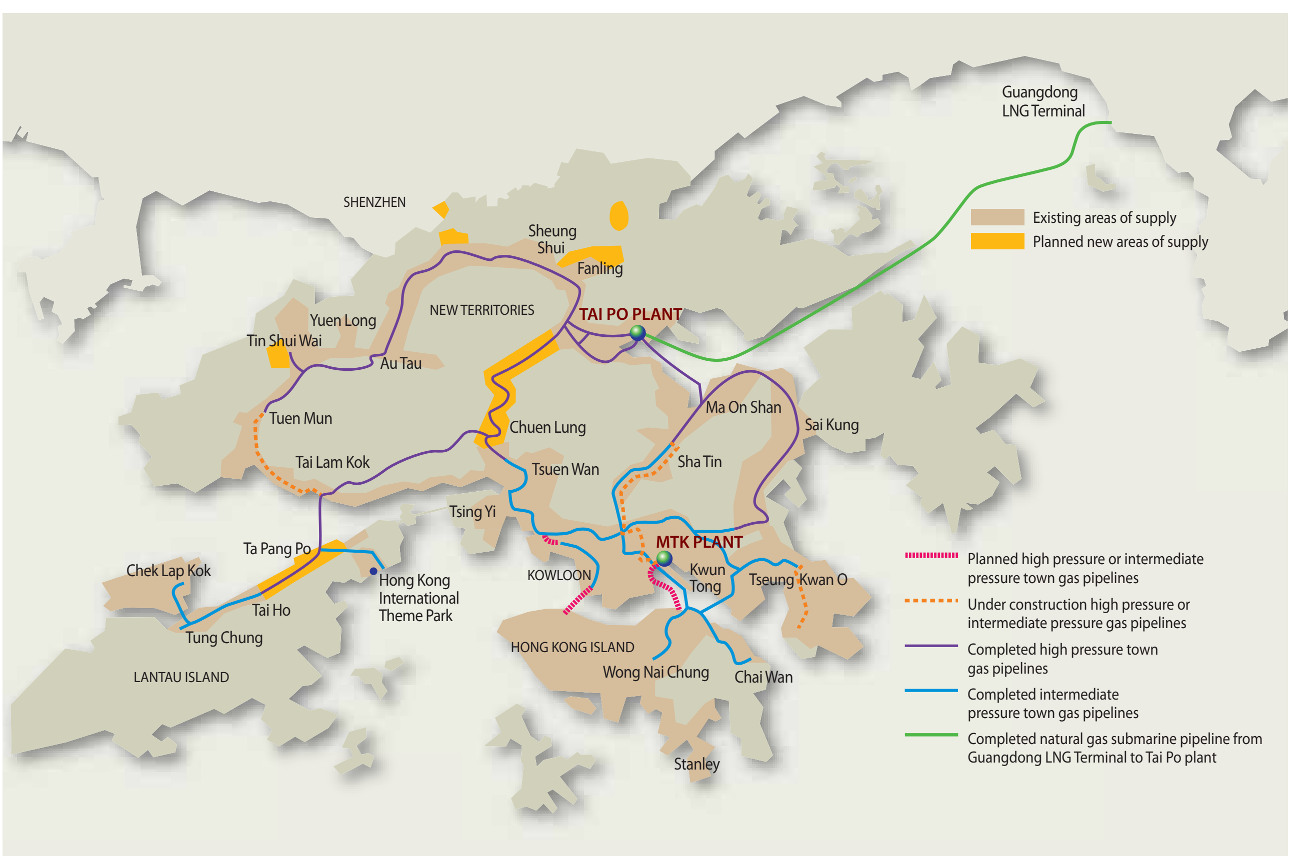
Background and Lines of Business

(I) Hong Kong Core Businesses

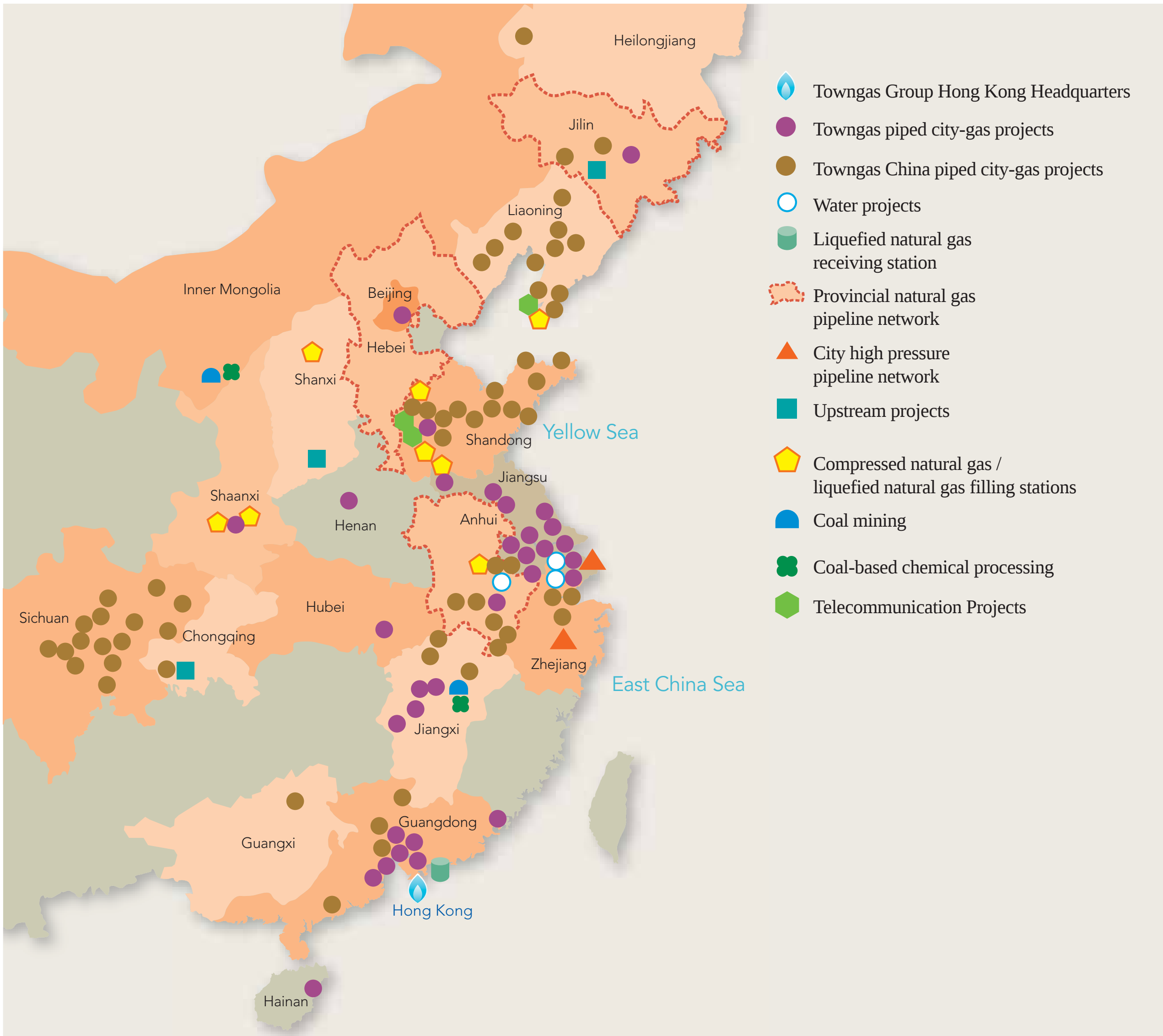
Founded in 1862 and listed in Hong Kong since 1960, The Hong Kong and China Gas Company Limited ("Hong Kong and China Gas") was the first public utility in Hong Kong and today remains the sole supplier of piped gas in Hong Kong.

In Hong Kong, town gas is produced at two production plants. Major supplies of 97% come from the Tai Po Plant, with the Ma Tau Kok Plant making up the rest. With a pipeline network consisting of more than 3,400km of gas pipes, Hong Kong and China Gas supplies town gas to over 1.7 million customers in Hong Kong. Its gas infrastructure has grown and improved over the years, such that the customers today enjoy a supply continuity rate of over 99.99%, one of the best in the world.

Starting from 2006, Hong Kong and China Gas uses naphtha and natural gas to produce town gas, with an increasing focus on natural gas. The signing of a 25-year agreement with Guangdong Dapeng in 2004 has ensured a stable price and reliable supply of natural gas to Hong Kong and China Gas.



Hong Kong and China Gas' network in Hong Kong



Hong Kong and China Gas' business in mainland China

(II) Mainland China Businesses

Hong Kong and China Gas first began its mainland business with joint venture in the Guangdong province in 1994, at which time it served approximately 5,000 customers. A significant milestone was reached in December 2006 when it agreed to acquire an approximately 43.97% equity stake in Towngas China Company Limited ("Towngas China", formerly known as Panva Gas Holdings Limited), a well-established mainland China piped city-gas operator, in exchange for interests in ten Hong Kong and China Gas's piped city-gas projects in Shandong and Anhui provinces. On a combined basis, Hong Kong and China Gas and Towngas China maintained interests in 93 piped city-gas projects in 17 provinces and municipalities and served, through the Towngas brand, over 11 million commercial, industrial and residential customers as at 31 December 2010. In 2010, sales volumes were over 8.54 billion cubic metres.

In order to complement downstream piped city-gas joint venture projects, Hong Kong and China Gas has made investments in mid-stream transportation projects that connect the upstream supplier and the downstream piped city-gas provider, whilst some upstream projects including the exploitation and sale of petroleum and natural gas have also been participated. Meanwhile, Hong Kong and China Gas operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province.

(III) Diversified Businesses

Through its wholly-owned subsidiary, ECO Environmental Investments Limited and its subsidiaries (collectively known as "ECO"), Hong Kong and China Gas has diversified into various alternative energy and environmentally-friendly businesses including Liquefied Petroleum Gas ("LPG") vehicle filling stations and the utilisation of landfill gas. To date, ECO is operating five dedicated LPG filling stations in Chai Wan, Mei Foo, Tuen Mun, West Kowloon and Wan Chai, providing 18,000 taxis and 2,300 LPG minibuses in Hong Kong with 24-hour gas filling services. ECO's landfill gas project began operations in May 2007, following several years of construction. Treated landfill gas is transported to its Tai Po plant, serving as a partial substitute for naphtha as a feedstock for town gas production. The use of landfill gas greatly reduces the amount of methane and carbon dioxide (both significant sources of global warming) released into the atmosphere, whilst the reduced use of naphtha, which comes from the cracking of fossil fuel, will also enable greater conservation of resources.

In the mid-1990s, Hong Kong and China Gas entered the local property development business in Hong Kong, with the aim of realizing the potential of its land resources and maximizing returns to its shareholders by deploying its excess cash. In 1995, Hong Kong and China Gas took a 45% equity interest in the King's Park Hill development project, which was completed in early 2000 with a mixture of luxury houses and apartments. In 1996, it participated in the development of International Finance Centre, a landmark project in the heart of Hong Kong, and it currently holds 15.8% of its stake. Grand Promenade and Grand Waterfront, two successful luxury residential developments, were also co-developed by Hong Kong and China Gas and Henderson Land. It has a 50% interest in the Grand Promenade project at Sai Wan Ho, while for the Grand Waterfront at the former south plant site at Ma Tau Kok, it is entitled to 73% of the net sales proceeds of the residential portion. In addition, Hong Kong and China Gas has full interest in its commercial portion of 150,000 square feet and approximately 300 car parking spaces.

Results for the Year ended 31 December 2010

Profit after taxation attributable to shareholders of Hong Kong and China Gas for the year amounted to HK$5,584.8 million, an increase of HK$309.7 million compared to the restated profit of 2009. Earnings per share for the year amounted to HK 77.8 cents, an increase of 6.6% over 2009. Profit growth in 2010 was mainly due to growth in profit of mainland businesses. During the year under review, Hong Kong and China Gas invested HK$4,277.5 million in production facilities, pipelines, plants and other fixed assets for the sustainable development of its various businesses in Hong Kong and the mainland.

(I) Gas Business in Hong Kong

The total volume of gas sales in Hong Kong in year 2010 rose by 1.1% compared to 2009, whilst the total number of appliances sold in 2010 was 233,313 units, an increase of 6.1% over 2009. As at the end of 2010, the number of customers was 1,724,316, an increase of 25,593 compared to 2009.

Laying of a 15 km pipeline to bring natural gas from Tai Po to Ma Tau Kok gas production plant, to partially replace naphtha as feedstock for the production of town gas, is progressing well. Construction of a 9 km pipeline in the western New Territories is also in progress. In tandem with the government's development of West Kowloon, South East Kowloon and a cruise terminal, network planning, design and construction in these regions are underway. Route planning for a new submarine pipeline from Ma Tau Kok to North Point is progressing well. Meanwhile, construction of the gas supply trunk mains to Ocean Park Hong Kong to support new attractions, facilities and future extensions has been completed.

(II) Mainland Utility Business

In mid-July 2010, Hong Kong and China Gas completed the injection of its entire equity interests in six piped city-gas project companies in Liaoning and Zhejiang provinces into its subsidiary, Towngas China Company Limited ("Towngas China"; stock code: 1083) in exchange for the allotment and issue of 485 million new shares by Towngas China. The transaction raised Hong Kong and China Gas's shareholding in Towngas China from approximately 45.5% to approximately 56.3%. As such, Towngas China has become a majority-owned subsidiary of Hong Kong and China Gas and Standard & Poor's Ratings Services, an international rating agency, has raised its long-term corporate credit rating on Towngas China to BBB with a stable rating outlook.

In mid-November 2010, Hong Kong and China Gas took 250 million Towngas China shares placed by a subsidiary of Enerchina Holdings Limited (stock code: 622), the second largest shareholder of Towngas China, for an aggregate consideration of HK$907.5 million. As a result, Hong Kong and China Gas's interests in Towngas China were further increased to approximately 66.5%.

In 2010, Towngas China acquired eight new projects located in the New Industrial District of Anshan, Dalian Lvshun Economic Development Zone, Kazuo county of Chaoyang in Liaoning province; in the Lingui New District of Guilin in Guangxi Zhuang Autonomous Region; in the Nanhai New District of Laiyang and Linqu county of Weifang in Shandong province; and in the Chengdong Harbour District of Jiujiang and the Fubei Industrial Park of Fuzhou in Jiangxi province. In 2010, Towngas China's profit

Hong Kong and China Gas continues to grow its city-gas business in mainland China. (Pictured above: Natural Gas Storage Tanks in Qiqihar) after taxation attributable to its shareholders amounted to HK$436 million, an increase of approximately 64.4% over 2009.

Hong Kong and China Gas's city-gas businesses progressed well in 2010, with a further new project successfully established in Yonganzhou Industrial Park, Taizhou, Jiangsu province. Inclusive of eight new projects established by Towngas China in 2010, Hong Kong and China Gas had 93 city-gas projects in mainland cities spread across 17 provinces/autonomous regions/municipalities as at the end of 2010. During the year under review, the number of gas customers in the mainland reached 11.88 million and total volume of gas sales was 8,540 million cubic metres. Hong Kong and China Gas has now become the largest city-gas enterprise on the mainland.

Hong Kong and China Gas's midstream natural gas projects include high-pressure natural gas pipeline joint ventures in Anhui province, Hebei province and Hangzhou, Zhejiang province; a joint venture that invests in the construction of natural gas pipelines and the exploitation of gas fields in Jilin province; the Guangdong Liquefied Natural Gas Receiving Terminal project; and a natural gas valve station project in Suzhou Industrial Park, Suzhou, Jiangsu province. Hong Kong and China Gas also operates water supply projects in Wujiang, Jiangsu province and in Wuhu, Anhui province, and manages an integrated water supply and wastewater joint venture in Suzhou Industrial Park, Suzhou, Jiangsu province. These projects are progressing well.

Overall, as at the end of 2010, inclusive of projects of Towngas China, Hong Kong and China Gas had 120 projects spread across 20 provinces/autonomous regions/municipalities, encompassing upstream, midstream and downstream natural gas sectors, the water supply and wastewater treatment sectors, natural gas filling stations and emerging environmentally-friendly energy and energy resources projects.

(III) Environmentally-Friendly Energy Businesses

Hong Kong and China Gas's development of emerging environmentally-friendly energy projects, through ECO, is also progressing well. At the end of 2009, ECO established a Chinese holding company in Erdos, Inner Mongolia to increase management effectiveness and financing channels.

ECO's coalbed methane and non-conventional methane utilisation businesses have been developed based on the technology and operational experience gained from its landfill gas utilisation project which has been successfully operating in Hong Kong for several years. Since 2008, ECO has been developing similar projects on the mainland with an extended scope of application, the first being a phase-one coalbed methane liquefaction facility located in Jincheng, Shanxi province which was commissioned in late 2008. Construction of the phase-two facility was successfully completed during the year under review, and is expected to be commissioned in the first quarter of 2011. Annual production capacity of the whole facility, the largest liquefaction and utilisation project of its kind on the mainland, will then increase to approximately 250 million standard cubic metres of liquefied coalbed methane.

Construction of ECO's coal-mine methane liquefaction project in Chongqing is progressing well; commissioning is expected in the first quarter of 2012. Coal-mine gas, which typically contains about 40% of methane, will be used to produce liquefied methane deploying coal-mine gas deoxidization and coalbed methane cryogenic liquefaction technologies. Other than in-situ power generation plants, this project, with an estimated annual production capacity of 91 million standard cubic metres, is slated to become the world's first large-scale coal-mine gas utilisation facility. ECO has also confirmed its investment in a second coal-mine methane deoxidization and liquefaction project located in Yangquan mining district, Shanxi province.

ECO started to develop coal resources and coal chemical processing businesses in 2009 and its construction of a methanol production plant and development of a coal mine in Junger, Erdos, Inner Mongolia are progressing well; both are expected to be commissioned in 2011. With an annual production capacity of

200,000 tonnes, the methanol production plant has already entered the commissioning stage. ECO's coking coal mining and plant project in Fengcheng, Jiangxi province, is also on schedule; commissioning is expected in 2012. This project will provide an additional gas source for Hong Kong and China Gas's Fengcheng city-gas project.

ECO's energy-related logistics and facilities businesses originated from its five dedicated liquefied petroleum gas filling stations in Hong Kong which have been operating steadily for several years servicing taxis and minibuses. ECO started to develop its gas filling station business on the mainland in 2008. Since then, ECO has been gradually establishing a network of compressed and liquefied natural gas filling stations used by heavy-duty trucks in Shaanxi, Shandong, Liaoning, Henan and Anhui provinces.

ECO's aviation fuel facility in Area 38, Tuen Mun, to service Hong Kong International Airport, was completed and commissioned in November 2010. Jetties and facilities are available for berthing tankers of 80,000 tonnes and 50,000 tonnes and unloading their aviation fuel into eight large tanks with a total capacity of 264,000 cubic metres. After re-certification, the fuel is then transported to the airport via submarine pipelines. The facility has now become a major logistics base for supply of aviation fuel in Hong Kong.

(IV) Property Developments

By the end of December 2010, over 99% of the total residential floor area of the Grand Promenade had been sold, whilst Grand Waterfront was sold out. In addition to the commercial area of Grand Waterfront, this group also has an approximately 15.8% interest in the International Finance Centre complex and both of them leased well.

Financing Programmes

HKCG (Finance) Limited, a wholly-owned subsidiary of this group, successfully issued and sold US$1 billion of notes guaranteed by Hong Kong and China Gas (stock code: 4303) in August 2008 and further established a US$1 billion medium term note programme (the "MTN Programme") in May 2009. Since the establishment of the MTN Programme, this group has issued medium term notes with, up to now, an aggregat e amount of HK$3,010 million at nominal interest rates ranging from 3.90% to 5.00% per annum and with a maturity of 10 to 40 years. These term notes have included the first ever issue of 30-year and 40-year notes, the longest term corporate papers ever issued, in the Hong Kong dollar bond market. In February 2011, this group concluded a HK$3.8 billion 5-year syndicated term loan and revolving credit facility, the first syndicated financing transaction for this group since 2006.

Hong Kong and China Gas predicts steady growth and an increase of about 25,000 new customers in Hong Kong for 2011, whilst the combined results of its emerging environmentally-friendly energy businesses and mainland utility businesses will reach the same level as that of its Hong Kong gas business in 2012.

Hong Kong Ferry (Holdings) Company Limited

(31.36%-owned by the Company)
Stock code: 50   Website: www.hkf.com

Background and Lines of Business

After running a passenger ferry operation in the territories for over 80 years since its establishment in 1923, Hong Kong Ferry (Holdings) Company Limited ("Hong Kong Ferry", formerly known as The Hongkong and Yaumati Ferry Company Limited prior to a corporate restructuring in 1989) currently focuses on business activities of property development and investment; ferry, shipyard and related operations; travel and hotel operations.

(I) Property Development and Investment

Metro Harbour View: Located at 8 Fuk Lee Street, Tai Kok Tsui, Kowloon, it consists of 10 blocks of residential buildings, divided into 3,520 residential units, plus a 2-storey commercial arcade and about 1,100 car parking spaces.

Shining Heights: The project, situated at 83 Sycamore Street, is a 60-storey building of 700 feet high with gross floor area of approximately 336,000 square feet. It is the highest building in the district.

The Spectacle: The project at 8 Cho Yuen Street, Yau Tong has a total gross floor area of approximately 160,000 square feet.

MetroRegalia: The project at 51 Tong Mi Road has a total gross floor area of approximately 53,000 square feet.

It also has 3 houses in Cheung Sha, Lantau and a warehouse site in Yuen Long as investment properties.

(II) Ferry, Shipyard and Related Operations

Its passenger ferry operations ceased upon transfer of the local ferry licences in January 2000. The ferry operation is now confined to dangerous goods vehicular ferry service. Meanwhile, it also runs harbour cruise and restaurant service, and engages in trading of fuel oil.

Its shipyard at North Tsing Yi provides ship repairing and maintenance services as well as certain civil engineering services. The shipyard, built on a site of about 200,000 square feet, is equipped with

The Spectacle, Yau Tong, Hong Kong

the largest and most advanced Syncrolift in Hong Kong. The Syncrolift has a lifting capacity up to 3,000 tonnes, and can lift up various types of ships including ferries, work boats, and pleasure crafts. Equipped with a flexible ship transfer system, the Shipyard can drydock ten vessels simultaneously.

(III) Travel and Hotel Operations

HYFCO Travel provides comprehensive travel services including local tours, China tours, overseas tours, ship & train ticketing, and hotel reservation. HYFCO Travel has a total of 9 agency offices located all over Hong Kong and Macau.

The Silvermine Beach Hotel is a resort hotel located at Silvermine Beach, Mui Wo, Lantau Island with a total of 128 rooms.

Results for the Year ended 31 December 2010

The consolidated profit after taxation of Hong Kong Ferry for the year ended 31 December 2010 amounted to approximately HK$483 million, a drop of 56% as compared with the profit after taxation of HK$1,095 million in 2009 due to the fact that less development properties were sold this year.

For the year under review, Hong Kong Ferry sold 30 units in Shining Heights and 72 units in The Spectacle with a total profit of approximately HK$228 million. A profit of HK$36 million was also realized from the sales proceeds of approximately HK$70 million upon the disposal of MetroRegalia shops. Rental and other income from its commercial arcades amounted to approximately HK$44 million. The occupancy rates of the commercial arcades of Metro Harbour View and Shining Heights were 97% and 82% respectively whereas the commercial arcade of MetroRegalia was fully let for the year with a rental income of approximately HK$1.2 million.

As regards property development, Hong Kong Ferry acquired at a public land auction in May 2010, Fanling Sheung Shui Town Lot No. 177 located at the junction of Ma Sik Road and Sha Tau Kok Road (Lung Yeuk Tau Section) Area 19, Fanling, New Territories with a site area of approximately 95,800 square feet designated for residential cum-commercial use. The development comprises 3 residential towers built on a 2 storey commercial podium with a total gross floor area of approximately 540,000 sq. ft. The foundation works of the property has commenced and it is expected to be finished by phases before 2014. Also, it has already acquired the entire ownership of the property at 204-214 Tung Chau Street, Shum Shui Po, Kowloon. The property will be re-developed into a commercial/ residential building with a gross floor area of approximately 54,000 square feet. It is expected that the property will be demolished and construction works will commence in the later part of this year.

Hong Kong Ferry realized a profit of HK$42 million in securities investment and recorded a marked-to-market profit of approximately HK$4.7 million in equity-linked-notes.

The ferry, shipyard and related operations recorded a profit of approximately HK$9.9 million in total, an increase of 230% as compared with last year. The harbour cruise operation achieved an increase of approximately 100% in operating profit, whilst the deficit of the shipyard was reduced by 27%.

Shining Heights, Sycamore Street, Hong Kong

The travel and hotel operation recorded a profit of HK$2.4 million with a turnaround result registered by The Silvermine Beach Hotel.

The sales proceeds from the remaining 25 units of Shining Heights and 34 units of The Spectacle will remain the main source of income of Hong Kong Ferry in 2011.

Miramar Hotel and Investment Company, Limited

(44.21%-owned by the Company)
Stock code: 71 Website: www.miramar-group.com

Background and Lines of Business

Based in Hong Kong, Miramar Hotel and Investment Company, Limited ("Miramar") was established in 1957 and has been listed on the Hong Kong Stock Exchange since 1970. Miramar has a diversified business portfolio covering hotels and serviced apartments, property investment, food & beverage and travel services in Hong Kong, mainland China and the United States.

(I) Hotel ownership and hotel management business

Miramar owns and/or provides management services for a total of six hotels and serviced apartment complexes. Miramar is the sole owner of The Mira Hong Kong ("The Mira") in Hong Kong and of Miramar Apartments in Shanghai, a block of serviced apartments, both of which properties it also manages. This group also partially owns one hotel in Shekou, and provides contract management services for it and for another two independently owned hotels, one situated in Shekou and another situated in Hong Kong, along with an independently owned serviced apartment complex in Hong Kong.

(II) Property business

Opposite The Mira are the Miramar Shopping Centre and Miramar Tower, Miramar's premier investment properties with a total gross rentable area of over 1.0 million square feet. For the Shopping Centre, Miramar has over recent years carried out an ongoing process of upgrading its tenant mix, recruiting tenants that best support an image of youth and trend-setting fashion, and moving the shopping centre more upscale to match its shift upwards in hotel style. Miramar Tower, the office tower above the Miramar Shopping Centre, comprises 18 storeys of Grade-A office space. This modern and quality commercial property features a well-planned layout and the latest technological advancements in building management. In Placer County, California of the United States, Miramar owns approximately 80 acres of residential land and 70 acres of commercial land for sale.

(III) Travel business

Miramar Express, with more than two decades of experience, is the official Hong Kong general agent for Crystal Cruises, voted the World's Best Cruise by Conde Nast Traveller. This company also provides business and tourist shuttle services, airport transfers and even wedding rentals all the way to Guangdong Province. With branches across Hong Kong, Kowloon and the New Territories since its establishment in 2006, Miramar Travel is the trusted choice for providing worldwide tours, booking air tickets and hotels, cruise holidays, free and individual travel packages.

(IV) Food and beverage operations

Miramar operates three Tsui Hang Village restaurants: one located in the Miramar Shopping Centre, Tsim Sha Tsui; one in the New World Tower, Central; and one situated in Club Marina Cove, Sai Kung. This group operates two high-end Cantonese restaurants named Cuisine Cuisine, one within the Mira Hotel complex, other in the Central landmark of IFC, where it also operates a French restaurant named "The French Window". This group also operates a Sichuan restaurant named Yunyan Szechuan Restaurant located in the Miramar Shopping Centre and a canteen and Green Café at the Union Hospital.

Results for the Year ended 31 December 2010

For the financial year ended 31 December 2010 (the "Reporting Year"), Miramar's turnover amounted to approximately HK$2,112 million compared with HK$1,303 million for the nine months ended 31 December 2009 (referred to as the "2009 Reporting Period") due to a change of the financial year end date. Profit attributable to shareholders amounted to approximately HK$784 million (2009 Reporting Period (Restated): HK$260 million). Excluding the net increase in the fair value of investment properties, underlying profit attributable to shareholders for the Reporting Year was approximately HK$378 million (2009 Reporting Period (Restated): HK$152 million).

In September 2010, Miramar disposed of the 25% equity interest in a hotel in Shekou. Miramar currently owns and/or provides management services for six hotels and serviced apartments in Hong Kong and mainland China. Miramar is the sole owner of The Mira, and Miramar Apartments in Shanghai, a block of serviced apartments. In addition, it provides management services for two hotels in Shekou, a serviced apartment complex and a hotel in Hong Kong. Miramar is working on a hotel management project for a 32-storey boutique hotel in Wan Chai, which is currently under construction and expected to commence trial operation in 2013 under the brand name of "The Mira".

The Mira achieved a turnaround during the Reporting Year. EBITDA (earnings before interest, taxes, depreciation and amortisation) reached approximately HK$120 million, compared with a loss of HK$12 million recorded in 2009 Reporting Period. During the Reporting Year, the occupancy rate of The Mira grew from 58% in 2009 Reporting Period to 80%, whilst the average room rate was up 26%. It also achieved remarkable success in terms of its food and beverage operations with a host of accolades received by its restaurants. Cuisine Cuisine at The Mira has been awarded two Michelin stars in Michelin Guide to Hong Kong and Macau 2011, whilst Whisk has won the coveted title as a Newly Selected Restaurant.

Cuisine Cuisine at The Mira Hong Kong

Miramar's property rental business grew steadily during the Reporting Year, registering a turnover of approximately HK$480 million and rental income derived from Miramar Shopping Centre and Miramar Tower remained as the major income contributor. The average occupancy rate of Miramar Shopping Centre for the Reporting Year was in line with that of the 2009 Reporting Period, and the average unit rate decreased slightly by 2%. The refurbishment work in Basement one was completed on schedule in the second quarter of 2010. As at the end of 2010, occupancy rate of Miramar Shopping Centre exceeded 95%. As at the end of 2010, occupancy rate at Miramar Tower was nearly 100% and the average unit rate dropped by about 5%. Miramar has undertaken refurbishment work in the public areas of Miramar Tower since May 2010 and the work is expected to be completed in early 2011. Basement one to the second floor of the shopping centre at The Mira underwent a refurbishment and the work is expected to be completed in mid-2011. Miramar optimised property portfolio and acquired an investment property located at Stanley Main Street at a consideration of approximately HK$64 million.

Miramar operates three Tsui Hang Village restaurants (one located in the Miramar Shopping Centre, Tsim Sha Tsui; one in the New World Tower, Central; and one situated in Club Marina Cove, Sai Kung), a Sichuan restaurant named Yunyan Szechuan Restaurant at Miramar Shopping Centre, two outlets at the IFC, namely Cuisine Cuisine and The French Window, and a canteen and Green Café at the Union Hospital. During the Reporting Year, Miramar completed the two-month renovation work at Yunyan Szechaun Restaurant and brought its successful brand "Cuisine Cuisine" to the mainland China market. The first Cuisine Cuisine restaurant will set foot in Beijing and the restaurant will open in the third quarter of 2011. Another Cuisine Cuisine restaurant in Wuhan will also open in 2011. In September 2010, Miramar joined hands with Green House Food Co. Ltd. to expand the business network of Saboten Tonkatsu, a chain restaurant specialising in traditional deep-fried breaded pork cutlet, to reach Hong Kong and the first outlet in Hong Kong will open in Causeway Bay in the second quarter of 2011. During the Reporting Year, Miramar also entered into a franchise agreement with Hide-Chan Ramen and the first franchise store is opened in March 2011 near Lan Kwai Fong, Central. In the second quarter of 2011, Miramar will open Assaggio Trattoria Italiana, its first Italian restaurant, located at the Hong Kong Art Centre in Wan Chai.

Turnover of the travel business segment showed double-digit growth, reaching approximately HK$980 million. Double-digit year-on-year growth in operating net profit was also logged. The number of Japan tours surged, resulting in over 20% increase in revenue.

Miramar commenced apparel retail business at the end of 2010 and has become a distributor of DKNY Jeans in the mainland China. Looking forward to 2011, Miramar will foster collaboration with international fashion brands and set up its own retail network by opening exclusive stores in the mainland China.

INCREASING PROMINENCE

CCTV Annual Famous Brand in China 2010
China Network Television, CCTV's Financial Channel and other media

Of the 31 winning enterprises in the CCTV Annual Famous Brand in China 2010, Henderson Land was the only Hong Kong based winner, reflecting the remarkable achievements of the Group's brand in China. This prestigious award is jointly organized by China Network Television, CCTV's Financial Channel and other authoritative media, and supported by the Ministry of Commerce, State Administration for Industry & Commerce, General Administration of Quality Supervision, Inspection and Quarantine, All-China Federation of Industry & Commerce and China Consumers' Association.

Centro, Shanghai

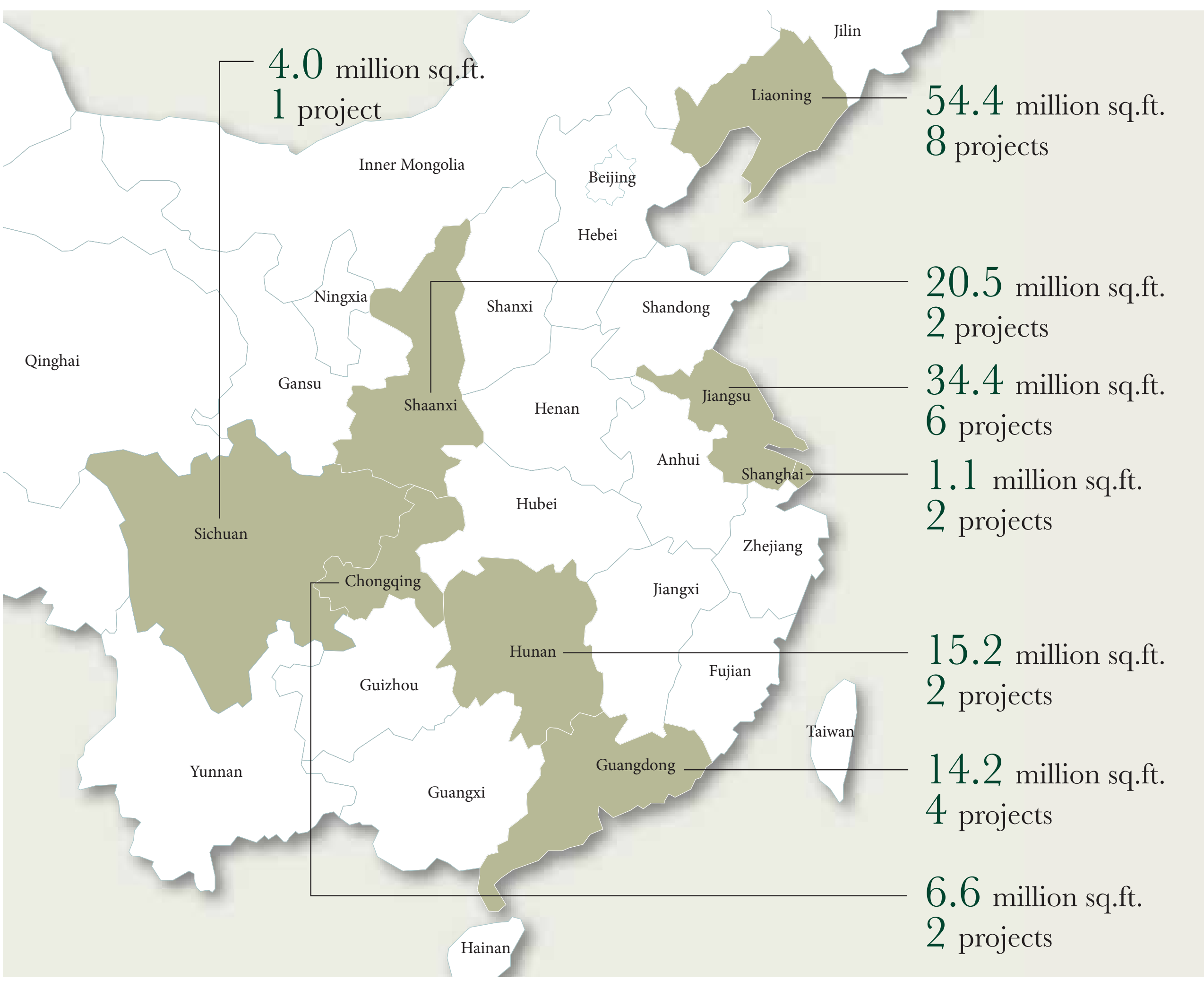
Centro brings much sought after office and retail space and represents a stunning new addition to Shanghai's bustling Zhabei District.

- *Boasts approximately 370,000 square feet of Grade-A office space*
- *About 60,000 square feet of retail area*

Property Development

2010 Highlights

- Land bank expanded to an attributable developable gross floor area of 150.4 million square feet plus 6.5 million square feet of completed properties for leasing
- Completed an attributable 1.9 million square feet of properties in 2010, including 0.6 million square feet of residential properties for sale and two commercial complexes for leasing
- Property sales attributable to the Group amounted to HK$303 million
- Encouraging response received from the sales/pre-sales of the "Arch of Triumph" in Changsha, "La Botanica" and "Palatial Crest" in Xian, as well as "Villa Green" in Chongqing in 2010 and more than 10 projects ready for sale/pre-sale in 2011
- Attributable gross rental income grew to HK$477 million
- World Financial Centre became the first project in Beijing to achieve the highest possible rating of "Platinum" under the globally-recognized LEED green building certification standard
- Named "CCTV Annual Famous Brand in China 2010" by a panel of leading media



* *The diagram above illustrates the Group's attributable developable gross floor area and number of projects by location.*

Land Bank

Austerity policies advocated by the Central Government during the year of 2010, as anticipated, steered the course of the mainland property market. The build-up in inflationary pressure within the country resulting from changes in the external economic and political environment, and a prolonged period of negative interest rate have fuelled strong support for housing demand for wealth preservation. In order to avert the risk of an asset bubble forming, and to prevent systemic risk to the banking and financial system caused by such asset bubble, the Central Government has launched a series of suitable policy initiatives to rein in excessive appreciation in housing price. Such policy efforts were intensified throughout the year, with economic and administrative measures, ranging from suppression of investment and speculative demand, increase in supply, to enhancement of supervision and so on, having been undertaken so as to ensure complete control over the mainland property market. As a result, the property market in mainland China showed notable volatility in 2010.

Soon after the introduction of "National Eleven Measures" in January 2010, and the subsequent "National Ten Measures" in April, decline in transaction volume was seen across all property sectors. In September, the property market recovered notably with some of the property projects commanding prices comparable to the level prior to the imposition of stringent controls in April. To rein in further upsurge in housing prices which would render tightening measures futile, home purchase and mortgage restrictions were launched on 29 September, in time to cool the country's property market before the "National Day Golden Week holiday".

Since November, on the back of genuine demand from end-users and investment needs for wealth preservation, housing prices throughout the country resumed its uptrend, whilst land auctions also became increasingly competitive. In view of such upward momentum regained by the property market, more stringent "National Eight Measures", which comprised a wider range of home purchase restrictions and tightened credit on property business, were imposed in early 2011. Although the policy efforts have been intensified, the measures that have been launched are conducive to stabilizing the country's economy and promoting the healthy development of the property sector. The Group is in the mainland for the long haul and is fully confident of the vast potential offered by the mainland property market.

Less directly hit by the austerity policies were the second and third-tier cities. In fact, for those second and third-tier cities in which the Group has property development projects, rapid developments were commonly seen in recent years with many large-scale infrastructure facilities currently under planning or construction. The network of express railways, light rails and city ring expressways, in particular, would have profound improvement for industrial developments and job creation in the peripheral areas, leading to further increase in housing demand in the second and third-tier cities. Benefiting from the Government's heavy investment in infrastructural developments, the Group's property development projects are set to enjoy better transportation convenience and more comprehensive facilities, in addition to the scenic landscaping made possible by large-scale greenery projects. With careful planning in line with the city's overall development, as well as superb quality and ingenious design by internationally-renowned consultants, the Group's projects reflect our unremitting pursuit of excellence, which is our competitive edge in the market.

Many of the Group's projects in the second and third-tier cities have completed their innovative design plans, with the construction progress stepped up as well. For the "Arch of Triumph" in Changsha, "La Botanica" and "Palatial Crest" in Xian and "Villa Green" in Chongqing, which were all launched during the year, as well as "Riverside Park" in Suzhou which was launched in early 2011, enthusiastic buying response and enviable market acclaim were drawn. Higher prices were repeatedly achieved when additional units were released to the market. As these residential communities offered value-for-money quality, they were highly sought after by buyers even though the asking price for each project was a new record in the immediate neighborhood. According to feedback collected in the course of offering after-sale service, most of the buyers were local residents purchasing their first flats for own use and given their genuine accommodation demand, their primary focus was on the design layout and building quality. With wide support and trust from the buyers, sale performance has been encouraging and the Group will step up its marketing efforts and expedite the sales launch.

Turning to commercial projects, following the accomplishment of World Financial Centre in Beijing, the Group during the year completed Henderson Metropolitan, a landmark at the pedestrian avenue of Nanjing Road East in close proximity to the Bund, Shanghai, whilst the Centro in Zhabei District, Shanghai was also completed. Following the success of World Financial Centre in Beijing which received numerous awards, Henderson Metropolitan is also expected to win wide acclaim and top honours.

The following development projects were completed during this financial year:

	Project name	Land-use purpose	Group's interest (%)	Approximate attributable gross floor area (sq.ft.)
1.	Phase 1, Arch of Triumph, Changsha	Residential	99	620,000
2.	Centro, Shanghai	Office/ Commercial	100	430,000
3.	Henderson Metropolitan, Shanghai	Office/ Commercial	100	830,000
			Total:	**1,880,000**

In order to replenish the land bank, the Group's 90.5%-owned project company acquired two pieces of land in the Gaoling area of the Kaifu District, Changsha, for an aggregate consideration of about RMB130 million during the year. With a total site area of about 1,100,000 square feet, these two parcels of land will be jointly developed with the adjacent land lots, which were acquired previously with a total site area of approximately 4,500,000 square feet, into a large-scale residential community with a total gross floor area of about 8,900,000 square feet, of which approximately 8,100,000 square feet is attributable to the Group. Meanwhile, following a previous successful bid for a residential site at Jin Shi Tan, the Group in August 2010 acquired the second piece of land in Dalian at a consideration of RMB1,590 million. Located at Wolong Bay International Business District at this port city of Liaoning Province, the land parcel boasts a site area of approximately 4,200,000 square feet. Upon completion, this composite development will comprise an office building, a shopping centre, serviced apartments and residential towers, providing a total gross floor area of over 8,700,000 square feet.

As a result of the above land acquisitions, the Group's land bank in mainland China increased to approximately 150.4 million square feet in attributable developable gross floor area by the end of December 2010, of which around 83% would be high-end residences for sale:

Land bank under development or held for future development

	Group's share of developable gross floor area* (million sq.ft.)
Prime cities	
Shanghai	1.1
Guangzhou	14.2
Sub-Total:	**15.3**
Second-tier cities	
Anshan	18.0
Changsha	15.2
Chengdu	4.0
Chongqing	6.6
Dalian	10.3

	Group's share of developable gross floor area* (million sq.ft.)
Nanjing	2.4
Shenyang	17.4
Suzhou	17.0
Tieling	8.7
Xian	20.5
Xuzhou	5.3
Yixing	9.7
Sub-Total:	**135.1**
Total:	**150.4**

** Excluding basement areas and car parks*

Usage of development land bank

	Developable gross floor area (million sq.ft.)	Percentage
Residential	125.2	83.2
Office	11.1	7.4
Commercial	9.4	6.3
Others (including clubhouses, schools and community facilities)	4.7	3.1
Total:	**150.4**	**100.0**

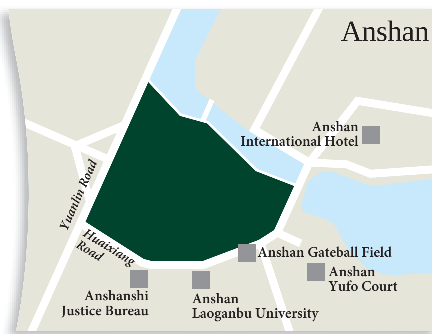
The first phase of the "Arch of Triumph" project, which was completed in June 2010, was highly sought after by home buyers in Changsha due to its outstanding building quality and comprehensive facilities. 684 residential units were released in batches to the market since its launch in October 2009 and over 96% were sold at 31 December 2010. Meanwhile, market responses for the pre-sale of "La Botanica" and "Palatial Crest" in Xian, as well as "Villa Green" in Chongqing, were equally overwhelming. "La Botanica", which is a 50/50 joint venture between the Group and Temasek Holdings (Private) Limited of Singapore, has been immensely popular since it went to market in November 2008 and its Phase 1A of 981 units was fully sold out. Its Phase 1B (South) and Phase 2A, which were both launched for pre-sale in the fourth quarter of 2010, also met with satisfactory response with 652 units and 82 units snapped up respectively by the end of December 2010. "Palatial Crest" and "Villa Green", which have been a market focus since their launches in the fourth quarter of 2010, were highly sought after by home buyers with 358 units and 83 units successfully pre-sold at 31 December 2010 respectively. As a result, the Group's attributable property sales in mainland China for the year under review amounted to HK$303 million. In addition, the amount of mainland properties pre-sold attributable to the Group totalled HK$994 million for the year ended 31 December 2010.

Progress of Major Development Projects

Anshan

Old Stadium Site (100% owned by the Group)

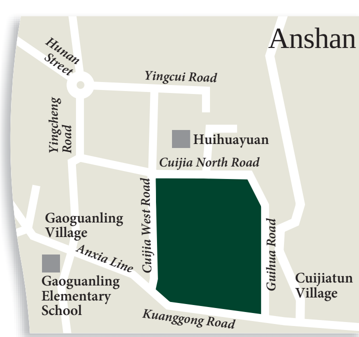
Adjacent to the scenic Yufoshan municipal park, an old stadium site of approximately 600,000 square feet in the city centre will be developed into a high-end residential community with a total gross floor area of approximately 3,700,000 square feet. Master layout plan was approved during the period under review.



Old Stadium Site, Anshan (artist's impression)

Project in Yingchengzi (100% owned by the Group)

In the Tiedong District, a land parcel of approximately 5,500,000 square feet will be developed into a low-density residential community with medium to high-rise luxury apartment blocks, providing a total developable gross floor area of approximately 14,000,000 square feet.



Project in Yingchengzi, Anshan (artist's impression)

Changsha

The Arch of Triumph (99% owned by the Group)

The Arch of Triumph, Xingsha Town, Changsha (artist's impression)

Located in Xingsha Town, Changsha, the comprehensive community development of the Arch of Triumph offers unprecedented tranquility and greenery. With an aggregate gross floor area of about 7,700,000 square feet, Arch of Triumph comprises luxury residential apartments, a clubhouse, community facilities and recreational amenities, scheduled to be built in three phases. The 33-storey, Arc de Triomphe-style building is being developed, which will become a new landmark for the new town of Xingsha. For its first phase of development, over 600,000 square feet of residences was already completed during the year, whilst more than 600,000 square feet of residential space plus about 50,000 square feet of clubhouse and commercial space is scheduled for completion in mid-2011. Construction for its second phase of development, which comprises a total residential gross floor area of about 1,700,000 square feet, is planned to kick off in August 2011 and pre-sales will be launched by the end of 2011.

Chengdu

Chengdu ICC (30% owned by the Group)

In July 2008, the Group entered into a joint venture agreement with Sun Hung Kai Properties Limited and The Wharf (Holdings) Limited on a 30:40:30 ownership basis to jointly develop a composite development site of approximately 2,000,000 square feet on Dongda Avenue, Chengdu. Linked directly to a subway station currently under construction, Chengdu ICC is in the new financial and business centre of Jinjiang District with easy access to every corner of this capital city of Sichuan Province. The project will have over 13 million square feet of gross floor area made up of a high-end shopping mall, Grade-A offices, a hotel and deluxe residences, along with comprehensive community facilities.

Chengdu ICC, Chengdu (artist's impression)

Chongqing

Grand Waterfront (100% owned by the Group)

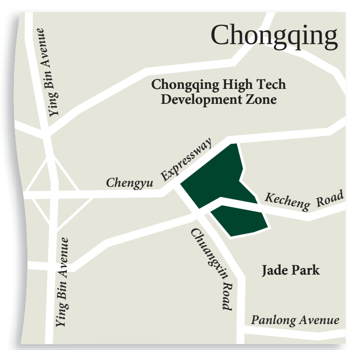
Adjacent to a municipal park in the Nan'an District, the project is earmarked for a luxury riverside residential development, complemented by commercial area, a kindergarten and clubhouse facilities. The whole project, with a total gross floor area of approximately 3,750,000 square feet, will be completed in phases and a uniquely-designed, rhythmic grouping of 17 to 33-storey apartment towers will be built, offering most of its 3,000 housing units a full southern view of the Yangtze River. Phase 1A of its development, with a total gross floor area of about 700,000 square feet, will be launched for pre-sale in the second quarter of 2011 with the scheduled completion by the fourth quarter of 2011.

Grand Waterfront, Chongqing (artist's impression)

Villa Green (100% owned by the Group)

Villa Green, Chongqing (artist's impression)

Located on a site next to the Chengdu-Chongqing Expressway with many scenic attractions such as Caiyun Lake and Jade Park in the proximity, this 2,800,000-square-foot development is planned to comprise residential apartments, clubhouse, kindergarten and shopping facilities, providing 2,000 apartments. The entire project will be completed in three phases. The pre-sale of its Phase 1A development in the fourth quarter of 2010 has been a great success and it is scheduled for completion in the third quarter of 2011 with a total gross floor area of about 300,000 square feet.

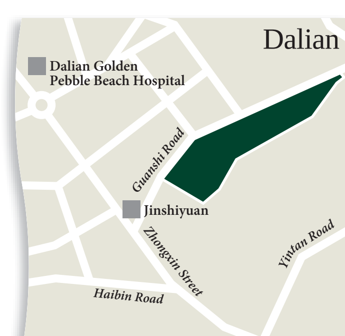


Jin Shi Tan project, Dalian (artist's impression)

Dalian

Jin Shi Tan project (100% owned by the Group)

In Jin Shi Tan, a land lot of about 3,200,000 square feet is planned to be developed into a low-density, high-end residential project, complemented by resident clubhouse and commercial facilities, providing an aggregate gross floor area of about 1,600,000 square feet for about 400 families. Following the approval of master layout plan, the site formation is in progress and the first phase of residential development is scheduled for completion in the third quarter of 2012.



Wolong Bay Composite Development (100% owned by the Group)

At Wolong Bay International Business District, a development site of approximately 4,200,000 square feet will be developed into a composite community, consisting of commercial, exhibition, residential and serviced apartments with the total gross floor area of approximately 8,700,000 square feet.

Nanjing

Treasure Garden (90.1% owned by the Group)

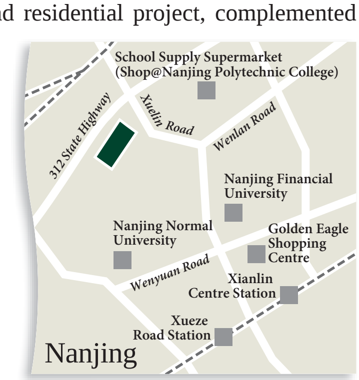
In the downtown area of Qixia District with Maigaoqiao subway station in the proximity, a site of over 500,000 square feet will be developed into a luxury residential development with a total gross floor area of about 900,000 square feet. This district is equipped with plenty of lifestyle and daily amenities such as community centre, home for the elderly, cultural and sports facilities. As its nearby road network is soon to be completed, its Phase 1 development involving about 160 luxury residences is slated for completion by the fourth quarter of 2011. Pre-sale is expected to be launched in mid-2011.

Treasure Garden, Nanjing (artist's impression)

Emerald Valley (100% owned by the Group)

Emerald Valley, Nanjing (artist's impression)

In Xianlin University Town, a land parcel of about 1,600,000 square feet is planned to be developed in three phases into a high-end residential project, complemented by facilities such as a nursery, amenities and a community centre, providing an aggregate gross floor area of about 1,700,000 square feet. With the commissioning of the subway system to this university town in May 2010, this residential project is set to enjoy an improved community facilities and transportation network. Construction for its Phase 1 development has commenced during the period under review with the planned completion by the fourth quarter of 2011. Pre-sale is expected to be launched in the second quarter of 2011.



Shanghai

147 Tianmu Road West, Zhabei District (100% owned by the Group)

This project, which comprises office and retail space with an aggregate gross floor area of about 400,000 square feet, is slated for completion in the third quarter of 2011 and construction of the superstructure is in progress.

147 Tianmu Road West, Zhabei District, Shanghai (artist's impression)

Lot 688, Nanjing Road West, Jingan District (100% owned by the Group)

Lot 688, Nanjing Road West, Jingan District, Shanghai (artist's impression)

The project at Lot 688 Nanjing Road West, which provides a total gross floor area of approximately 700,000 square feet comprising a 22-storey office tower plus a 2-level retail podium, is poised to be another landmark in Jingan District due to its innovative, quartz-like façade designed by Tange Associates. Construction is now under way and it will be held for leasing upon completion in the second quarter of 2013.

Shenyang

Shenyang International Finance Centre (100% owned by the Group)

The Shenyang International Financial Centre project is located at Youhao Main Street/Huigong Street, and is part of the Shenyang Finance & Trade Development Zone. To the north is the Shenyang North Railway Station, whilst the subway line 2 will commence its service in 2012 and connect different parts of the city with an underground station in the vicinity, bringing added convenience to this project. This project will comprise serviced apartment buildings, a suite hotel, an office tower and a shopping centre, providing a total gross floor area of 5,900,000 square feet.

Shenyang International Finance Centre, Shenyang (artist's impression)

Golden Riverside (100% owned by the Group)

Located in the scenic Puhe New District Development with many natural beauties such as Yueya Lake, Pu River, parks and hills within the vicinity, a site of around 7,000,000 square feet will be mainly developed into a low-rise and low-density residential development with neo-classical architectural design. Its first phase of development, with a total gross floor area of about 300,000 square feet, is scheduled for completion in the third quarter of 2011 and its 68 villas will be launched for pre-sale in the third quarter of 2011. Construction for its second phase of development, containing villas and low-rise apartments with a total gross floor area of around 1,100,000 square feet, has also kicked off by the third quarter of 2010.

Golden Riverside, Shenyang (artist's impression)

Suzhou

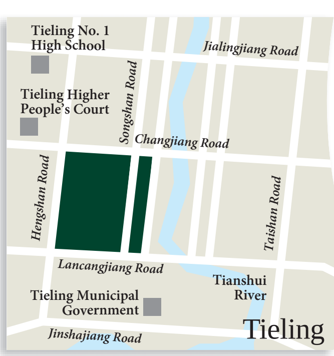
Riverside Park (100% owned by the Group)

A mega community project is being built in Xiangcheng District, which comprises a 3,200,000-square-foot residential land lot with a planned gross floor area of about 6,800,000 square feet, as well as several commercial complexes including office, shopping centre, retail shops along pedestrian street, hotel and serviced suites, exhibitions and multi-purpose convention centres with an aggregate gross floor area of over 10,000,000 square feet to be built on its neighbouring commercial land parcels of a total site area of about 1,600,000 square feet. As the city's north-south bound thoroughfare Renmin Road North has been extended to the site in late 2008, whilst connecting trunk roads and subway system are now either under construction or planning, this project will enjoy convenient access to every corner of the city. Benefiting from Suzhou's picturesque beauty and reputation as the "Venice of the East", this project nestles among scenic water-themed surroundings, forming a contemporary self-contained community which is served by comprehensive retail and commercial facilities. The entire residential project will be completed in five phases and the construction for the first batch of nearly 600 luxury residences with a total gross floor area of about 700,000 square feet is now underway with the planned completion in the fourth quarter of 2011. In early 2011, a total of 352 luxury residences was launched and received overwhelming response from home-buyers. Regarding the commercial land parcels, construction of the first phase of development with a total gross floor area of about 3,900,000 square feet is scheduled to commence in the second quarter of 2011 with the planned completion in the fourth quarter of 2014.

Riverside Park, Suzhou (artist's impression)

Tieling

New Town Central District Development (100% owned by the Group)



Located next to the administration centre of the municipal government with the scenic Yuyi Lake in the proximity, a land lot of approximately 2,750,000 square feet will be developed into an office-cum-commercial complex with a total gross floor area of approximately 4,900,000 square feet.

New Town Central District Development, Tieling (artist's impression)

Lotus Lake Development (100% owned by the Group)

Lotus Lake Development, Tieling (artist's impression)

Adjacent to the scenic Lotus Lake, a land parcel will be developed into a low-density residential community with luxury villas and comprehensive facilities, providing a total gross floor area of approximately 3,800,000 square feet against a site area of approximately 9,500,000 square feet.

Xian

La Botanica (50% owned by the Group)

Jointly developed by the Group and Temasek Holdings (Private) Limited of Singapore, La Botanica is located within Chan Ba Ecological District with a naturally luxuriant riverside setting. Meanwhile, easy access to the city centre is also provided as a Metro Line 1 connecting to the site is now under construction with the scheduled commissioning in the fourth quarter of 2013. Situated along the eastern bank of Chan River, the project has a total gross floor area of about 33,000,000 square feet, with over 90% designated for residential use. Comprising low density houses and mid to high-rise luxury residential apartments, together with commercial and retail space, La Botanica is set to emerge as a significant new community in Xian and will provide homes for up to about 25,000 families when completed. Phase 1A of La Botanica comprises 16 low to mid rise blocks with total gross floor area of about 1,200,000 square feet. Pre-sale was launched in November 2008 and all 981 units have been sold, which are scheduled for completion and handover to home-buyers in the second quarter of 2011. Its Phase 1B (South) and Phase 2A, which were both launched for pre-sale in the fourth quarter of 2010, also met with satisfactory response with 652 units and 82 units snapped up respectively by the end of December 2010.

La Botanica, Chan River, Xian (artist's impression)

Palatial Crest (100% owned by the Group)

With a nearby subway station, which is under construction, Palatial Crest is conveniently located at Jin Hua North Road on the main artery of Second Ring Road East. The entire project will be completed in 3 phases, offering a total residential gross floor area of about 3,400,000 square feet for 3,000 families. The first phase of over 500,000 square feet is now under construction with the scheduled completion in the fourth quarter of 2011. Its stylish design and superior quality appealed to home buyers when it was put up for pre-sale in the fourth quarter of 2010 with 348 units snapped up by the end of December 2010.

Palatial Crest, Xian (artist's impression)

Xuzhou

Xuzhou Lakeview Development (100% owned by the Group)

Fronting the scenic Dalong Lake with the new headquarters of the municipal government in the proximity, the Xuzhou Lakeview Development is characterized by its careful blending of modern water-themed design with the natural beauty of its surrounding areas. The project, which includes luxury garden houses, high-rise apartments, commercial premises and other facilities, will be completed in four phases. With a site area of about 5,900,000 square feet, the project will have a total residential area of approximately 4,500,000 square feet for about 3,600 families. The Phase 1A of development involving about 700,000 square feet for 402 residences is slated for sales launching in the second quarter of 2011, and is scheduled for completion in the fourth quarter of 2011. Construction for its Phase 1B of development, involving another 1,300,000 square feet for over 1,100 residential units, is also underway with the planned completion in mid 2013. The project will also have a total commercial gross floor area of approximately 600,000 square feet against a site area of about 700,000 square feet along the river. It will become an icon of the district and serve as a quality entertainment, shopping and dining venue. Construction of the commercial area will commence in the third quarter 2011 with the planned completion in the third quarter of 2013.

Xuzhou Lakeview Development, Xuzhou (artist's impression)

Yixing

Island Palace (100% owned by the Group)

Island Palace, Yixing (artist's impression)

In a serene location on an island close to the busy Yicheng town centre, a site of about 400,000 square feet is being developed into a luxury residential community and upon its completion by the fourth quarter of 2012, there will be villas, duplexes and high-rise apartments and a residents' clubhouse, providing a total gross floor area of about 700,000 square feet for 306 households. Island Palace is under intense construction and is planned to make its first foray into the market in the third quarter of 2011.

Grand Lakeview (100% owned by the Group)

In Dongjiu District which is just 5-minute drive away from the city centre, a lakefront site of about 5,400,000 square feet will be developed in 11 phases into luxury residences with villas, duplex houses, multi-storey and low-rise apartments, providing a total gross floor area of about 9,000,000 square feet for over 6,800 families. Construction commenced during the year under review and the Phases 1A, 1B and 1C of about 1,800,000 square feet of residences will be launched for sale in the fourth quarter of 2011 with the scheduled completion in the third quarter of 2012.

Grand Lakeview, Yixing (artist's impression)

Major Investment Properties

In the mainland, the Group had another 6.5 million square feet of completed investment properties, mainly offices and shopping centres in the prime locations in Beijing, Shanghai and Guangzhou:

Major Completed Mainland Investment Properties

Project name and location	Lease expiry	Group's interest (%)	Attributable gross floor area (million square feet)			
			Commercial	Office	Carparks	Total
World Financial Centre, Beijing	2044	100	0.14	1.99	-	2.13
Henderson Centre, Beijing	2033	100	0.89	-	0.24	1.13
Henderson Metropolitan, Shanghai	2053	100	0.41	0.42	-	0.83
Office Tower II, Grand Gateway, Shanghai	2043	100	-	0.69	-	0.69
Centro, Shanghai	2042	100	0.06	0.37	-	0.43
Skycity, Shanghai	2042	100	0.29	-	0.10	0.39
Hengbao Plaza, Guangzhou	2040	100	0.70	-	0.23	0.93
			2.49	**3.47**	**0.57**	**6.53**

Status of Major Completed Investment Properties

Leasing performance for the Group's mainland completed investment property portfolio was satisfactory. Following the recent completion of the Centro and Henderson Metropolitan in Shanghai, this portfolio comprised a total attributable gross floor area of 6.5 million square feet with its major projects increased to a total of seven. During the year under review, the Group's attributable gross rental income and net rental income amounted to HK$477 million and HK$235 million, respectively.

Beijing

World Financial Centre, Chaoyang District (100% owned by the Group)

Completed in Beijing in January 2009, World Financial Centre is the only property in Beijing to have achieved the highest possible "Platinum" rating from both the United States Green Building Council's LEED and HK-BEAM. Designed by the world-famous architect Cesar Pelli as twin "crystal jewel boxes" incorporating special effect façade lighting on the exterior, these two 22-storey, 2.1 million-square-foot International Grade-A office buildings were recently honoured by the nine professional building institutions of Hong Kong with the Quality Building Award 2010 – Merit Award for a Project outside Hong Kong, in addition to the Intelligent Building of the Year award in 2009 by the Asian Institute of Intelligent Buildings. Many discerning financial institutions and multinational corporations such as Standard Chartered Bank, Mizuho Corporate Bank, Huaxia Bank, International Air Transport Association, FAW Toyota and Novo Nordisk were therefore drawn to become its tenants since its completion in early 2009, with the leasing rate at 78%. To celebrate its grand opening in June 2010, the "Sculpture in Movement" from the Louvre Museum, Paris, France was launched. It was the first time for such exhibition to be staged in a commercial venue, reflecting World Financial Centre's initiative to bring world-class art and cultural events to the people of Beijing.

World Financial Centre, Chaoyang District, Beijing

Beijing Henderson Centre, Dongcheng District (100% owned by the Group)

Completed in 1997, the shopping mall at Beijing Henderson Centre was over 80% let by 31 December 2010. With more food and beverage outlets, as well as forthcoming opening of a large-scale superstore in its basement floors, the mix of tenants will be changed remarkably to enhance the attraction of the mall to shoppers.

Shanghai

Office Tower II, The Grand Gateway, Xuhui District (100% owned by the Group)

Located right above the Xujiahui subway station, the office towers of The Grand Gateway emerge as the landmark in the Xujiahui commercial circle. Grand Gateway Office Tower II, the home to a good number of multinational corporations such as Microsoft, Adidas, Tesco and Yum! Brands Inc., was over 97% leased by the end of 2010.

Office Tower II, The Grand Gateway, Xuhui District, Shanghai

Skycity, Zhabei District, Shanghai

Skycity, Zhabei District (100% owned by the Group)

Completed in 1997 and located in the prime area of the Zhabei District, Skycity comprises a four-storey commercial podium and 272 basement car parking spaces. As the main Shanghai Railway station and two metro stations are all within its walking distance, many mainland enterprises and retailers expressed their interests to be its tenants and it was over 96% leased by the end of 2010.

Centro, 130-2 Tianmu Road West, Zhabei District (100% owned by the Group)

Located at the 130-2 Tianmu Road of Zhabei District, Centro boasts approximately 370,000 square feet of Grade-A office space and about 60,000 square feet of retail area. It has been completed in January 2010 and leasing response was satisfactory as the energy-efficient features of this development have been highly sought after by cost-conscious tenants.

Centro, Zhabei District, Shanghai

Henderson Metropolitan, Lot No. 155, Huangpu District (100% owned by the Group)

Designed by world renowned Tange Associates and built to the highest construction and environmental standards under LEED and HK-BEAM, Henderson Metropolitan has attracted strong leasing interest since its completion in September 2010. Superbly located at the start of the Nanjing Road East pedestrian avenue with direct access to Metro Lines 2 and 10 from the building basement, its over 400,000-square-foot Grade-A office space has been largely taken up by multinational corporations such as Oracle Corporation, Mitsubishi Air-conditioning, Deutsche Lufthansa AG and UniTrust Finance & Leasing Corporation, whilst a world-class electronics product flagship store, as well as the finest selection of retailer outlets and gourmet restaurants, will soon open for business in the second half of 2011, making its over 400,000-square-foot shopping mall the shopping Mecca in town.

Henderson Metropolitan, Huangpu District, Shanghai

Guangzhou

Hengbao Plaza, Liwan District (100% owned by the Group)

Hengbao Plaza, located above the Changshou Road subway station, offers a one-stop shopping experience to its captive customers from neighbouring residential developments as large-scale retailers, fast food chains and fashion boutiques are all located there. Hengbao Plaza recorded a 20% year-on-year growth in rental income with over 90% leasing rate by the end of 2010.

Joint-Venture Development in Macau

In April 2005, the Group entered into an agreement to jointly develop a large-scale waterfront development with a site area of approximately 1.45 million square feet in Taipa, Macau. The project is subject to application for land-use conversion with the total gross floor area to be finalized.

A MILESTONE IN SUSTAINABLE DEVELOPMENT

Leadership in Energy & Environmental Design (LEED)
U.S. Green Building Council
Platinum Certificate (World Financial Centre, Beijing)

World Financial Centre ("wfc") *in Beijing is the most technologically advanced, energy efficient and sustainable commercial building in the region. In 2010, wfc was awarded the highest possible Platinum certification under the Leadership in Energy and Environmental Design system ("LEED"), the internationally recognized green building certification standard developed by the U.S. Green Building Council.*

wfc is a model of sustainable development, recognised for its energy savings, water efficiency, emissions reduction, improved indoor environmental quality, and stewardship of resources and sensitivity to their impacts.

wfc's many features include a fully computerized Building Management System to monitor and control energy usage, insulated curtain wall system, grey water recycling system, and maximum use of natural light throughout.

wfc is currently the largest Platinum LEED certified commercial building in the world (Core and Shell). It is also certified as Platinum BEAM (Building Environmental Assessment Method) by The Hong Kong Green Building Council and has received other accolades including "Intelligent Building of the Year Award 2009" from the Asian Institute of Intelligent Buildings ("AIIB") and "Quality Building Award 2010 (Certificate of Merit)" jointly presented by The Hong Kong Institute of Housing, Hong Kong Construction Association, The Hong Kong Institute of Architects and six other institutes/disciplines.

AT THE HEART OF THE COMMUNITY

For Henderson Land, the term sustainability refers to how we manage our environmental, economic and social responsibilities. Sustainability is at the heart of everything we do, from the Group's development of properties that enhance the communities our customers live, work and delight in, to our focus on service to the community and fostering strong stakeholder engagement.

Beyond its immediate business activities, the Group contributes to the welfare of the community through education and voluntary work, arts and culture, environmental awareness and large-scale events. Henderson Land has received numerous awards and accreditations recognizing its efforts in areas such as community service and the promotion of sustainability.

Environmentally Conscious

In its core role as a leading developer of commercial and residential properties, Henderson Land goes to great lengths to understand the needs and concerns of the community, thereby ensuring that the Group's projects contribute positively to their context.

The Group employs best practice building methods to comply with applicable environmental laws and regulations, utilizing advanced building and construction technologies and preventing pollution by conserving energy and resources, recycling and reducing waste. Sustainability is a key consideration during the planning and design stages of Group projects. From the choice of low emitting building materials, ventilation and air quality management, water efficiency, to penetration of daylight, wind assessment and provision of green open space, the Group strives to deliver excellence in every development project and aims to create a comfortable and sustainable environment for the community.

Henderson Land is highly proactive in its commitment to environmental stewardship and sustainability, participating in leading non-profit making professional organizations such as The Hong Kong Green Building Council and the BEAM Society (Building Environmental Assessment Method). During the year, the Group became a founding member of the China Green Building (Hong Kong) Council. Henderson Land is also a founding sponsor and corporate member of The Hong Kong Green Building Council. Local and international building sustainability and environmental assessment schemes have been adopted in new Group projects with the aim of enhancing the overall sustainability performance of these developments.

Henderson Land's construction and property management divisions manage the Group's environmental impact with an Environmental Management System ("EMS") which has achieved an ISO 14001 Environmental Management System accreditation.

This comprehensive approach to sustainability has resulted in many awards and accolades being granted to the Group's development projects. During the year for instance, 39 Conduit Road, the Group's luxury property in Hong Kong achieved a Platinum BEAM rating and joined the ranks of many other award-winning Henderson Land properties including Two ifc, Grand Promenade, Four Seasons Hotel and Four Seasons Place.

In mainland China, the Group's World Financial Centre ("wfc") has proudly become the first building in Beijing to be awarded a Platinum certificate in Leadership in Energy and Environmental Design ("LEED") by the US Green Building Council, which is the highest possible grading under this scheme. Not only is wfc the largest Platinum certified LEED building in China and Asia, it also became the largest Platinum certified LEED office building in the world (Core and Shell).

Henderson Land is committed to maintaining the highest international standards and best practices and actively interacts with its peers to exchange views and share knowledge on sustainability and related issues. The Group sponsors and supports various conferences and events organized by professional bodies. During the year, these included the Hong Kong Institute of Surveyors Annual Conference, HKIS Building Surveyors Conference 2010 and the Hong Kong Institution of Engineers Building Division 9th Annual Seminar. The Group's senior executives also gave talks and presentations at seminars on sustainable development organized by Hong Kong Quality Assurance Agency, The Hong Kong Institution of Engineers and Hong Kong Trade Development Council.

The Group remains constantly mindful of being a responsible corporate citizen and takes comprehensive measures to limit the impact of its day-to-day operations on the environment. Henderson Land operates a paperless office policy, monitors and measures emissions, water and energy usage, and conducts a carbon audit on key properties such as Manulife Financial Centre and AIA Tower. The Group is also a Green Partner signatory to the HKSAR Government's Carbon Reduction Charter, which undertakes to carry out activities in support of the reduction of greenhouse gas.

Proactive Community Engagement

In partnership with community bodies, employees, society and government, the Group sponsors, supports and initiates a diverse range of community-oriented activities every year that it believes contribute to and engage society. These range in scope from issues-related charitable and philanthropic initiatives to community-wide events.

As a responsible corporate citizen, a key area of focus for the Group during the year has been on helping the needy and underprivileged, with the aim of promoting harmony in society. In one new initiative, Dr Lee Shau Kee, the renowned philanthropist and Chairman of Henderson Land, pledged a HK$400 million donation to the Community Care Fund. Part of this donation will be made by the Lee Shau Kee Foundation, while the Group and its associated companies will also contribute to the Fund. The Fund was established by the HKSAR Government to help the underprivileged and, at the same time, promote a culture of social responsibility. The government and the business community are each contributing HK$5 billion to the Fund, enabling it to provide swift and targeted support in areas not covered by Hong Kong's existing Comprehensive Social Security Assistance Scheme.

Henderson Land has also been highly proactive in pursuing targeted local community CSR activities that have a direct and immediate impact in areas such as poverty relief and victim support. During the year, the Group initiated a tragedy relief programme in partnership with the Oriental Daily News Charitable Fund to aid emergency cases in Hong Kong that require urgent relief funds. The programme pools funds from both the Group and the Fund on a like-for-like basis and disburses them to families affected by tragic circumstances in a timely manner, thanks to the news medium's direct and instant reach in the community. The Group's continual monitoring of needy causes in a range of sectors led to it providing funds and resources to various causes focused on the underprivileged. During the year, Henderson Land made a donation to various community bodies to enable them to organize festive activities for industrial accident victims' families, and provided one-off funding to support the education of orphans whose parents were killed in accidents.

Another example of the Group's philanthropy activities in supporting the underprivileged is its major sponsorship of Summerbridge, a tuition free, quality English education programme that cultivates academic achievement of financially disadvantaged students. Since 2006, the Group has steadily increased its financial support of this programme, enabling the number of participating students to rise from 300 to 900 in just three years.

National Day Fireworks appreciation at Two ifc for students with special needs, jointly organized by the Group with Hong Kong Red Cross.

A groundbreaking initiative of the Group over the last two years has been its major sponsorship of the 'Sculptures in Movement – Asia Tour' 2009/2010 exhibition, a travelling exhibition from France's Musée du Louvre as part of a project to introduce art to the visually impaired. The exhibition comprised copies of some of the Louvre's most famous pieces and travelled to the six major cities of Taipei, Kaohsiung, Beijing, Fuzhou, Wuhan, and Hong Kong. The Group hosted the exhibition in Beijing with an accompanying series of community activities that allowed the public an enriching experience and enjoyment of arts and culture. The Tour's three-and-a-half month exhibition at the Group's prestigious new landmark development, World Financial Centre, commenced in June 2010 to coincide with celebrations for the building's grand opening. Henderson Land arranged special tours for local students, the visually impaired, the disabled and the underprivileged. In Hong Kong in December 2010 as the last stop of the Asia Tour, the Group partnered with the Hong Kong Museum of Art and Hong Kong Council of Social Services to invite 15 NGOs to bring more than 500 underprivileged individuals on special tours to visit the exhibition and enjoy a buffet lunch.

Whether through major programmes or simple charitable acts, Henderson Land always endeavours to bring kindness and care to the needy. As an example, during the year, the Group cooperated with Hong Kong Red Cross Special Education and Rehabilitation Service, to bring a group of about 50 students with special needs and their carers from four schools to view the fireworks display on National Day at Two ifc. Many of the students had never seen fireworks before in their lives and were moved by the experience. It was the first time the Group had opened its offices to members of public for viewing a fireworks display.

The Group believes that its people can make a difference to society. Community engagement and volunteering is driven from the top, with many senior executives dedicating their free time to a broad range of causes and initiatives. In addition to his role as Chairman of Henderson Land, Dr Lee Shau Kee is the Founder of Lee Shau Kee Foundation, Founder and donor of Lee Shau Kee Warmth Project and is Founder and Chairman of Hong Kong Pei Hua Education Foundation. Mr Peter Lee Ka Kit is Vice Chairman of the Group and is also Founding Chairman of Centum Charitas Foundation, Founder of Peter KK Lee Care for Life Foundation and is Supervisory Committee Chairman of New Home Association. Mr Martin Lee Ka Shing is Vice Chairman of the Group and is also Founding Member of Hong Kong Spirit Ambassadors, and Committee Member of Concerted Efforts Resource Centre.

All employees of Henderson Land are encouraged to extend a helping hand to the needy and underprivileged by participating in the numerous community initiatives supported by the Group. Staff actively participate in many community programmes and events. During the year these included Blood Donation Day co-organized by Hong Kong Red Cross, Oxfam Rice Sale and ORBIS Pin Day. In April, the Group sponsored and participated in the charity "MTR Hong Kong Race Walk 2010". The proceeds from the event support the Hospital Authority's health promotion campaign.

The Group has built strong ties with leading non-profit organizations to promote specific causes. One example of this is environmental education. Henderson Land has been the title sponsor of the Green Power Hike since 2006. Apart from monetary support, the Group also encourages its staff members to participate in the Hike every year. Funds raised are used to provide environmental education to kindergartens, primary and secondary schools, and for the community at large. Other environmental initiatives the Group supported during the year included Walk for the Environment 2010 organized by

The Conservancy Association, Power Smart 2010 and Conscientious Recycling Charter organized by Friends of the Earth, Walk for Nature @ Mai Po and Earth Hour 2010 organized by World Wide Fund, and Hong Kong No Air-con Night organized by Green Sense.

In various districts across Hong Kong, the Group supported many community activities. These included sponsorship of Sheung Wan Promenade, 10th Central & Western District Festival, CWDC Youth Concert, Central and Western District Council Countdown Celebration to 2011, Tsuen Wan Festival Lightings, Yau Tong Society for the Aged's Chinese New Year Elderly Banquet and the "Low Carbon in Sha Tin" event.

A series of community activities surrounding the Sculpture in Movement Exhibition in Hong Kong and Beijing were organized to enrich the public's experience.

The Group has supported Summerbridge Hong Kong since 2006, in its mission to develop students' English communication, self-confidence and interest in the learning process.

The annual Green Power Hike promotes environmental awareness. The Group has been the title sponsor since 2006.

Human Resources
Learning and Development

Henderson Land strongly encourages its staff to maintain a positive work-life balance. The Group promotes a culture of responsibility, providing staff with volunteer opportunities in many areas and encouraging them to exploit their talents through vocational learning and development.

The Group organizes a wide range of internal training programmes and seminars for its employees every year. Tailor-made vocational courses are also made available for specific divisions according to their needs. The Group's regular training programmes and seminars cover areas ranging from staff orientation, management skills, team power and supervisory skills, to Putonghua conversation, business writing and China Business.

The Group ran a series of China Business seminars to provide staff with an in-depth understanding of the Mainland.

Supervisory Skills Workshops were conducted with talented upcoming managers to enhance and strengthen their business knowledge and professional management skills.

A Business Writing Programme is intended to consolidate and enhance the English and Chinese business writing skills of Group staff.

The Group's First Aid Certificate Course is delivered in an interactive and practical manner and provides participants with an understanding of the basic principles of First Aid.

In December 2010, guests and staff of Henderson Land enjoyed the Group's annual Christmas party in the Ballroom of The Mira. During the evening, commemorative gold and silver plates were presented to colleagues who have served with the Group for 20 and 10 years respectively.

As a supplement to in-house training, the Group also provides staff with an educational subsidy to encourage and support them to improve their professional knowledge and skills by enrolling in external courses.

To foster a culture of continual learning and to enhance the self-learning initiatives of employees, training is also delivered through a dedicated internal Henderson Land e-learning network.

The Group's Awards for Achievement in Sustainability and CSR

- **Inaugural constituent of Hang Seng Corporate Sustainability Index Series 2010**
  Hang Seng Indexes Company Ltd

- **Caring Company (2005 – 2010, 5 Consecutive Years)**
  The Hong Kong Council of Social Service

- **Asia's Best Managed Companies Poll 2010 – Hong Kong's Best Corporate Social Responsibility and Best Investor Relations**
  FinanceAsia

- **Hong Kong Outstanding Enterprises (Blue Chip) in Hong Kong Outstanding Enterprises Parade 2010**
  Economic Digest

Hong Kong New Year's Eve countdown event 2010

In 2010, for the fourth successive year, the Group again sponsored the main Hong Kong New Year's Eve countdown event. This celebration has become a signature occasion for the territory, attracting over 400,000 local and overseas spectators, and receiving substantial coverage in both local and overseas media, making Hong Kong one of the spotlight cities of the New Year countdown around the world. Organized by the Hong Kong Tourism Board, this spectacular pyrotechnic display launched from both sides and atop Two ifc, as well as from the top of nine other buildings, took the form of a colourful dragon soaring into the sky above Victoria Harbour symbolizing further progress for Hong Kong's economy in 2011.

Walk for Nature 2010 @ Mai Po

"Walk for Nature" is an annual charity and outreach event organized by WWF-HK that aims to highlight the need for conservation of Hong Kong's environment through increasing the public's awareness and appreciation of nature. In addition to its role as a cuckoo sponsor of the event, about 50 Henderson Land staff and their family members joined the Walk which this year had as its theme: "Biodiversity – Let's live in Harmony with Nature". Funds raised from the event go towards supporting WWF's conservation and education projects in Hong Kong.

Hong Kong Economic Summit 2011

For six consecutive years, Henderson Land has been the Venue Sponsor of the Hong Kong Economic Summit, a highly influential opinion platform jointly organized by two of Hong Kong's leading financial media groups, Metro Finance and the Hong Kong Economic Journal in association with Hong Kong Exchanges and Clearing Limited. More than 300 financial, political and business leaders participated in the forum at the Four Seasons Hotel Hong Kong. They exchanged views and shared their outlook on China's economic transformation, as well as on the opportunities and challenges ahead for Hong Kong.

Financial Review

Management discussion and analysis

Results of operations

The following discussions should be read in conjunction with the Company's audited consolidated accounts for the year ended 31 December 2010.

As referred to in note 2(b)(i) to the Company's audited consolidated accounts for the year ended 31 December 2010, the Group has early adopted the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*. The change in policy arising from the amendments to HKAS 12 has been applied retrospectively by restating the opening balances at 1 July 2008 and 1 January 2010, with consequential adjustments to comparatives for the period ended 31 December 2009.

Turnover and profit

	Turnover		**Contribution/(Loss) from operations**	
	Year ended 31 December 2010 HK$ million	18 months ended 31 December 2009 (restated) HK$ million	**Year ended 31 December 2010 HK$ million**	18 months ended 31 December 2009 (restated) HK$ million
Reportable segments				
– Property development	**2,522**	8,138	**(211)**	3,171
– Property leasing	**3,157**	4,178	**1,933**	2,621
– Construction	**37**	400	**(30)**	(20)
– Infrastructure	**317**	441	**271**	335
– Hotel operation	**184**	248	**35**	32
– Department store operation	**307**	406	**54**	64
– Other businesses	**568**	884	**514**	397
	7,092	14,695	**2,566**	6,600

	Year ended 31 December 2010 HK$ million	18 months ended 31 December 2009 (restated) HK$ million
Profit attributable to equity shareholders of the Company		
– excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the Group's subsidiaries, associates and jointly controlled entities	**5,042**	6,027
– including the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the Group's subsidiaries, associates and jointly controlled entities	**15,820**	15,465

The Group recorded a decrease in turnover for the year ended 31 December 2010 of HK$7,603 million, or 52%, to HK$7,092 million (18-month period ended 31 December 2009 (restated): HK$14,695 million). The decrease was mainly attributable to (i) the fact that the corresponding period relates to an extended accounting period of 18 months; and (ii) the decrease in revenue from property sales after deducting the turnover attributable to cancelled property sales during the year ended 31 December 2010 in the amount of HK$3,230 million (as referred to in the paragraph headed "Property development" below), when compared with that for the corresponding period of 18 months ended 31 December 2009.

The Group underlying profit attributable to equity shareholders (before the fair value change of investment properties) for the year ended 31 December 2010 amounted to HK$5,042 million, representing a decrease of HK$985 million, or 16%, from HK$6,027 million (as restated) for the 18-month period ended 31 December 2009. Such decrease was mainly due to (i) an accounting period of 12 months currently being reported on when compared with an extended accounting period of 18 months ended 31 December 2009; and (ii) the Group's attributable share of loss on cancellation of property sales during the year in the amount of HK$864 million as referred to in the paragraph headed "Property development" below. Based on the Group underlying profit, the earnings per share were HK$2.33 (18-month period ended 31 December 2009 (restated): HK$2.81).

Including the fair value change (net of non-controlling interests and deferred taxation) of investment properties, the Group profit attributable to equity shareholders for the year ended 31 December 2010 was HK$15,820 million. Compared with the Group profit attributable to equity shareholders of HK$15,465 million (as restated) for the 18-month period ended 31 December 2009, this represents an increase of HK$355 million, or 2%, due to the reasons for the decrease in the Group underlying profit as referred to above, which were offset by the increase in the Group's attributable share of fair value change of the investment properties held by the Group's subsidiaries, associates and jointly controlled entities in the amount of HK$1,340 million for the year ended 31 December 2010 when compared with the 18-month period ended 31 December 2009. Earnings per share were HK$7.32 (18-month period ended 31 December 2009 (restated): HK$7.20).

Nevertheless, for the reason that the last financial period of the Group being reported on relates to an extended accounting period of 18 months ended 31 December 2009, it would be meaningful to evaluate the Group's financial performance for the year ended 31 December 2010 against that for the corresponding period of 12 months ended 31 December 2009. Where relevant and appropriate, such evaluation is referred to in the following paragraphs throughout the text of this financial review. It should be noted that the figures for the corresponding period of 12 months ended 31 December 2009 referred to in the following paragraphs throughout the text of this financial review have not been audited or previously published.

The Group underlying profit attributable to equity shareholders (before the fair value change of investment properties) for the year ended 31 December 2010 of HK$5,042 million represents an increase of HK$417 million, or 9%, over and above HK$4,625 million for the corresponding period of 12 months ended 31 December 2009. Based on the underlying profit, the Group earnings per share of HK$2.33 for the year ended 31 December 2010 represents an increase of HK$0.18, or 8%, over and above HK$2.15 for the corresponding period of 12 months ended 31 December 2009. Such increase was mainly due to a net gain of HK$1,007 million during the year arising from the Group's disposal of the entire issued share capital of Sin Cheng Holdings Pte Ltd, an indirect wholly-owned subsidiary which owns 50% equity interest in Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre (details of which are referred to in the section headed "Material acquisitions and disposals" below); and the gain on disposal of HK$275 million arising from the Group's disposal of self-use properties, which were partially offset by the increase in the Group's share of loss on cancelled property sales attributable to equity shareholders of HK$759 million during the year.

Including the fair value change (net of non-controlling interests and deferred taxation) of investment properties, the Group profit attributable to equity shareholders of HK$15,820 million for the year ended 31 December 2010 represents an increase of HK$1,541 million, or 11%, over and above HK$14,279 million for the corresponding period of 12 months ended 31 December 2009. On such basis, the Group earnings per share of HK$7.32 for the year ended 31 December 2010 represents an increase of HK$0.67, or 10%, over and above HK$6.65 for the corresponding period of 12 months ended 31 December 2009. The fair value change (net of non-controlling interests and deferred taxation) of investment properties for the year ended 31 December 2010 amounted to HK$10,778 million, which represents an increase of HK$1,124 million, or 12%, when compared with the fair value change (net of non-controlling interests and deferred taxation) of investment properties of HK$9,654 million for the corresponding period of 12 months ended 31 December 2009.

Discussions on the major reportable segments are set out below.

Property development

During the year ended 31 December 2010, the Group's sales of the major property projects included Hill Paramount, 11-12 Headland Road, The Sparkle, 8 Royal Green, The Beverly Hills, Green Lodge, Jade Suites and one unit of 39 Conduit Road in Hong Kong, as well as Phase 1A of Arch of Triumph in Changsha and Hengli Bayview in Guangzhou, mainland China. Together with the sales of other completed properties, the gross revenue from property sales during the year amounted to HK$5,752 million (18-month period ended 31 December 2009 (restated): HK$8,607 million).

During the year ended 31 December 2010, the amount of properties pre-sold attributable to the Group totalled HK$994 million (18-month period ended 31 December 2009: HK$268 million), all of which were generated in mainland China.

During the year ended 31 December 2010, the Group received written requests from the purchasers of 20 property units at 39 Conduit Road for the cancellation of the sale and purchase agreements entered into in the previous year. In accordance with the terms of the agreements for sale and purchase, the Group forfeited the deposits of 5% of the purchase price, and has refunded to the purchasers other payments over and above the 5% deposits received. As a result of the cancelled sales in respect of 39 Conduit Road and two other property projects during the year, a loss on cancellation of HK$1,629 million, being the difference between the revenue (net of forfeited deposits) of HK$3,230 million and direct and related costs of HK$1,601 million relating to the cancelled transactions, was recognised in profit or loss. The loss on cancellation attributable to the Group, i.e. after taking into account taxation and non-controlling interests, amounted to HK$864 million (of which HK$734 million relates to the cancelled sales of the 20 units at 39 Conduit Road).

The revenues and profit contribution/(loss) from property development, before and after taking into account the effects of the cancelled transactions during the year ended 31 December 2010 and the corresponding period of 18 months ended 31 December 2009, are as follows:

	Year ended 31 December 2010	12 months ended 31 December 2009	18 months ended 31 December 2009 (restated)
	HK$ million	HK$ million	HK$ million
Gross revenue from property development before taking into account the effect of the cancelled transactions	**5,752**	6,271	8,607
Less:			
Revenue (net of forfeited deposits) relating to the cancelled transactions	**3,230**	671	469
Revenue from property development after taking into account the effect of the cancelled transactions	**2,522**	5,600	8,138
Profit contribution from property development before taking into account the effect of the cancelled transactions	**1,418**	2,441	3,179
Less:			
Loss on the cancelled transactions	**1,629**	119	8
(Loss)/Profit contribution from property development after taking into account the effect of the cancelled transactions	**(211)**	2,322	3,171

After deducting the revenue relating to the cancelled transactions, the revenue from property development for the year ended 31 December 2010 amounted to HK$2,522 million (18-month period ended 31 December 2009 (restated): HK$8,138 million). Nevertheless, when compared with the revenue from property development of HK$5,600 million (after deducting the revenue relating to cancelled sale transactions) for the corresponding period of 12 months ended 31 December 2009, the revenue from property development of HK$2,522 million (after deducting the revenue relating to cancelled sale transactions) for the year represents a decrease of HK$3,078 million, or 55%. Such decrease in revenue for the year is mainly attributable to the loss of revenue of HK$2,534 million and HK$696 million relating to the cancelled sales of the 20 property units at 39 Conduit Road (as referred to above) and certain units at two other property projects, respectively.

Similarly, after accounting for the loss on the cancelled transactions, the loss from property development amounted to HK$211 million during the year ended 31 December 2010 (18-month period ended 31 December 2009: profit contribution of HK$3,171 million). It should be noted that after deducting the loss from property development attributable to the non-controlling interests (after accounting for the share of loss on the cancelled transactions attributable to the non-controlling interests) from the loss from property development of HK$211 million as mentioned above, the profit contribution from property development attributable to equity shareholders of the Company (after accounting for the loss on the cancelled transactions) for the year ended 31 December 2010 amounted to HK$539 million. Nevertheless, when compared with the profit contribution from property development (after accounting for the loss on cancelled sale transactions) of HK$2,322 million for the corresponding period of 12 months ended 31 December 2009, the loss from property development of HK$211 million (after accounting for the loss on the cancelled sale transactions) for the year represents a decrease of HK$2,533 million, or 109%. Such decrease in profit contribution for the year is mainly attributable to (i) the loss (before deduction of taxation and non-controlling interest) of HK$1,465 million which relates to the cancellation of the 20 property units at 39 Conduit Road as referred to above; and (ii) the decrease in gross profit from property development of HK$880 million mainly for the reason that the profit from the sale of the 20 cancelled property units at 39 Conduit Road was recognized during the corresponding period of 12 months ended 31 December 2009 which did not recur for the year ended 31 December 2010.

During the year ended 31 December 2010, the Group's share of aggregate net pre-tax profit contribution from subsidiaries, associates and jointly controlled entities in relation to property development segment amounted to HK$539 million (corresponding period of 12 months ended 31 December 2009: HK$2,056 million), comprising pre-tax profit contribution from subsidiaries of HK$329 million (corresponding period of 12 months ended 31 December 2009: HK$1,518 million), pre-tax profit contribution from associates of HK$128 million (corresponding period of 12 months ended 31 December 2009: HK$287 million) and pre-tax profit contribution from jointly controlled entities of HK$82 million (corresponding period of 12 months ended 31 December 2009: HK$251 million). In respect of the foregoing, (i) the contribution from associates during the year ended 31 December 2010 included (inter alia) profits generated from the sales of units of Grand Promenade in which The Hong Kong and China Gas Company Limited ("HKCG", a listed associate of the Company) has a 50% equity interest, the sales of units of Grand Waterfront held by HKCG as well as the sales of units of Shining Heights and The Spectacle held by Hong Kong Ferry (Holdings) Company Limited ("HK Ferry", a listed associate of the Company); and (ii) the contribution from jointly controlled entities during the year ended 31 December 2010 included profits generated from the sales of units of Grand Promenade in which the Group has the other 50% equity interest.

Property leasing

At 31 December 2010, the Group's major investment properties in Hong Kong recorded an average occupancy rate of 94.5% (2009: 87.8%). The occupancy rate of Manulife Financial Centre in Kwun Tong, which was completed after 1 January 2008, was 87% at 31 December 2010 which showed a remarkable improvement from that of 66% at 31 December 2009. During the year ended 31 December 2010, there were increases in the new rents upon lease renewals and new lettings in most of the cases of shop tenants when compared with the corresponding passing rents.

Revenue from property leasing for the year ended 31 December 2010 amounted to HK$3,157 million (18-month period ended 31 December 2009: HK$4,178 million). Nevertheless, when compared with the revenue from property leasing for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$2,814 million, the revenue from property leasing of HK$3,157 million for the year ended 31 December 2010 represents an increase of HK$343 million, or 12%.

Profit contribution from property leasing for the year ended 31 December 2010 amounted to HK$1,933 million (18-month period ended 31 December 2009: HK$2,621 million). Nevertheless, when compared with the profit contribution from property leasing for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$1,725 million, the profit contribution from property leasing of HK$1,933 million for the year ended 31 December 2010 represents an increase of HK$208 million, or 12%.

Taking into account the Group's share of leasing revenue from properties owned by subsidiaries, associates and jointly controlled entities, gross revenue from property leasing attributable to the Group during the year ended 31 December 2010 amounted to HK$4,875 million (18-month period ended 31 December 2009: HK$6,522 million). Nevertheless, when compared with the gross revenue from property leasing attributable to the Group for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$4,436 million, the gross revenue from property leasing attributable to the Group of HK$4,875 million for the year ended 31 December 2010 represents an increase of HK$439 million, or 10%.

During the year ended 31 December 2010, the Group's share of pre-tax net rental income from properties owned by subsidiaries, associates and jointly controlled entities (before any changes in fair value of investment properties and related deferred taxation) in total amounted to HK$3,382 million (18-month period ended 31 December 2009: HK$4,540 million), which comprises contribution from subsidiaries of HK$1,933 million (18-month period ended 31 December 2009: HK$2,621 million), contribution from associates of HK$444 million (18-month period ended 31 December 2009: HK$653 million) and contribution from jointly controlled entities of HK$1,005 million (18-month period ended 31 December 2009: HK$1,266 million). Nevertheless, when compared with the contribution from subsidiaries, associates and jointly controlled entities for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$1,725 million, HK$472 million and HK$881 million, respectively, the contribution from subsidiaries, associates and jointly controlled entities of HK$1,933 million, HK$444 million and HK$1,005 million, respectively, for the year ended 31 December 2010 represents an increase of 12%, a decrease of 6% and an increase of 14%, respectively. In this regard, the aforementioned decrease of 6% in the contribution of pre-tax net rental income from associates for the year ended 31 December 2010 is attributable to the fact that the contribution of pre-tax net rental income from associates of HK$472 million for the corresponding period of 12 months ended 31 December 2009 included the Group's share of pre-tax net rental income from Miramar Hotel and Investment Company, Limited ("Miramar"), a listed associate of the Group, for the period of 15 months from 1 October 2008 to 31 December 2009 due to the change in Miramar's financial year end date from 31 March to 31 December. Had the Group's share of pre-tax net rental income from Miramar for the corresponding period of 12 months ended 31 December 2009 been adopted for comparison purpose, the contribution of pre-tax net rental income from associates for the corresponding period of 12 months ended 31 December 2009 would be reduced from HK$472 million to HK$419 million. On such basis, the contribution of pre-tax net rental income from associates of HK$444 million for the year ended 31 December 2010 represents an increase of HK$25 million, or 6%, over and above that for the corresponding period of 12 months ended 31 December 2009.

Construction

The Group principally engages in construction contracts for property development projects in which the Group participates, including property development projects undertaken by the Group's associates and jointly controlled entities. During the year ended 31 December 2010, turnover from construction activities amounted to HK$37 million (18-month period ended 31 December 2009: HK$400 million). Nevertheless, when compared with the turnover from construction activities of HK$296 million for the corresponding period of 12 months ended 31 December 2009, turnover from construction activities for the year decreased by HK$259 million, or 88%, as a result of the fact that the construction contracts for two major projects, namely Shining Heights and The Spectacle held by HK Ferry which were actively undertaken by the Group during the corresponding period of 12 months ended 31 December 2009, were completed during the year ended 31 December 2010.

The construction segment reported a loss from operations of HK$30 million during the year ended 31 December 2010 (18-month period ended 31 December 2009: HK$20 million). Nevertheless, when compared with the loss from operations of the construction segment for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$6 million, there was an increase in the loss from operations of HK$24 million for the year ended 31 December 2010 mainly for the reasons that (i) the gross profits of construction contracts undertaken by the construction segment decreased by HK$9 million during the year when compared with the corresponding period of 12 months ended 31 December 2009 due to the completion of the two major projects, namely Shining Heights and The Spectacle held by HK Ferry during the year; (ii) the construction segment recorded an additional depreciation charge of HK$4 million during the year when compared with the corresponding period of 12 months ended 31 December 2009 due to the Group's acquisition of additional construction plant and machinery during the year to undertake forthcoming construction activities of the Group's property development projects; (iii) there was an increase in salaries during the year of HK$5 million due to the increase in staff headcount of the construction segment; and (iv) there was an impairment on inventory of HK$4 million during the year which did not occur during the corresponding period of 12 months ended 31 December 2009.

Infrastructure

Infrastructure projects in mainland China reported a turnover of HK$317 million for the year ended 31 December 2010 (18-month period ended 31 December 2009: HK$441 million). Nevertheless, when compared with the turnover from the infrastructure segment for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$285 million, the turnover from the infrastructure segment of HK$317 million for the year ended 31 December 2010 represents an increase of HK$32 million, or 11%. The increase was primarily attributable to the increase in traffic volume of the toll bridge in Hangzhou, mainland China during the year ended 31 December 2010.

Profit contribution from the infrastructure segment for the year ended 31 December 2010 amounted to HK$271 million (18-month period ended 31 December 2009: HK$335 million). Nevertheless, when compared with the profit contribution from the infrastructure segment for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$221 million, the profit contribution from the infrastructure segment of HK$271 million for the year ended 31 December 2010 represents an increase of HK$50 million, or 23%.

Hotel operation

Revenue from hotel operation for the year ended 31 December 2010 amounted to HK$184 million (18-month period ended 31 December 2009: HK$248 million). Nevertheless, when compared with the revenue from hotel operation for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$144 million, the revenue from hotel operation of HK$184 million for the year ended 31 December 2010 represents an increase of HK$40 million, or 28%, for the reasons that the H1N1 pandemic which occurred in the second quarter of 2009 did not prevail during the year ended 31 December 2010 as well as the increase in visitor arrivals to Hong Kong during the year ended 31 December 2010, which together resulted in an increase in room occupancy during the year then ended.

Profit contribution from the hotel operation segment for the year ended 31 December 2010 amounted to HK$35 million (18-month period ended 31 December 2009: HK$32 million). Nevertheless, when compared with the corresponding period of 12 months ended 31 December 2009 which amounted to a loss of HK$3 million, the profit contribution from the hotel operation segment of HK$35 million for the year ended 31 December 2010 represents an increase of HK$38 million, or 1,267%.

Department store operation

The Group operates five department stores under the name of "Citistore" and two specialty stores in Hong Kong. Revenue from department store operation for the year ended 31 December 2010 amounted to HK$307 million (18-month period ended 31 December 2009: HK$406 million). Nevertheless, when compared with the revenue from department store operation for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$266 million, the revenue from department store operation of HK$307 million for the year ended 31 December 2010 represents an increase of HK$41 million, or 15%, for the reasons of the improvement in the market sentiment of Hong Kong's retail sector during the year when compared with that of the corresponding period of 12 months ended 31 December 2009, as well as the increased turnover under the marketing programme associated with the launch of Citistore's 20th Anniversary campaign in May 2010 and the Super Sales Promotion in October 2010.

Profit contribution from department store operation for the year ended 31 December 2010 amounted to HK$54 million (18-month period ended 31 December 2009: HK$64 million). Nevertheless, when compared with the profit contribution from department store operation for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$42 million, the profit contribution from department store operation of HK$54 million for the year ended 31 December 2010 represents an increase of HK$12 million, or 29% for the same reasons as mentioned in the preceding paragraph.

Other businesses

Other businesses comprise mainly provision of finance, investment holding, project management, property management, agency services, cleaning and security guard services, which altogether reported a turnover of HK$568 million for the year ended 31 December 2010 (18-month period ended 31 December 2009: HK$884 million). Nevertheless, when compared with the turnover from other businesses for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$577 million, the turnover from other businesses of HK$568 million for the year ended 31 December 2010 represents a decrease of HK$9 million, or 2%, mainly for the reasons of (i) the increase in revenue from the trading operations of building materials by HK$42 million during the year; and (ii) the aggregate net increase in revenue from the provision of property management and cleaning and security guard services by HK$4 million during the year, which were nevertheless offset by the decrease in revenue from the sale of leasehold land by HK$52 million during the year.

Profit contribution from other businesses for the year ended 31 December 2010 amounted to HK$514 million (18-month period ended 31 December 2009 (restated): HK$397 million). Nevertheless, when compared with the profit contribution from other businesses for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$336 million, the profit contribution from other businesses of HK$514 million for the year ended 31 December 2010 represents an increase of HK$178 million, or 53%, mainly for the reasons of (i) the increase in the gain on disposal of available-for-sale equity securities by HK$51 million during the year; and (ii) the increase in the net gain on disposal of investment properties and other land and buildings of HK$212 million during the year, which were partially offset by (iii) the decrease in profit contribution from the sale of leasehold land by HK$42 million during the year; and (iv) the decrease in profit contribution from the provision of project management services by HK$36 million due to the decrease in sales revenue of property projects held by the Group's associates (namely Grand Promenade held by HKCG, and Shining Heights and The Spectacle held by HK Ferry) which were handled by the Group during the year.

Associates

The Group's share of post-tax profits less losses of associates during the year ended 31 December 2010 amounted to HK$2,908 million (18-month period ended 31 December 2009 (restated): HK$3,175 million). Excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the associates of HK$659 million during the year ended 31 December 2010 (18-month period ended 31 December 2009 (restated): HK$568 million), the Group's share of the underlying post-tax profits less losses of associates for the year ended 31 December 2010 amounted to HK$2,249 million (18-month period ended 31 December 2009 (restated): HK$2,607 million).

Nevertheless, when compared with the Group's share of post-tax profits less losses of associates for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$2,601 million, the Group's share of post-tax profits less losses of associates of HK$2,908 million for the year ended 31 December 2010 represents an increase of HK$307 million, or 12%. Excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the associates of HK$335 million for the corresponding period of 12 months ended 31 December 2009, the Group's share of the underlying post-tax profits less losses of associates for the corresponding period of 12 months ended 31 December 2009 amounted to HK$2,266 million. The Group's share of the underlying post-tax profits less losses of associates of HK$2,249 million for the year ended 31 December 2010 represents a decrease of HK$17 million, or 1%, from that for the corresponding period of 12 months ended 31 December 2009.

In respect of the Group's three listed associates (namely, HKCG, Miramar and HK Ferry), the Group's aggregate share of their post-tax profits for the year ended 31 December 2010 amounted to HK$2,696 million (18-month period ended 31 December 2009 (restated): HK$3,110 million). Excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by these three listed associates of HK$512 million during the year ended 31 December 2010 (18-month period ended 31 December 2009 (restated): HK$579 million), the Group's aggregate share of the underlying post-tax profits of these three listed associates amounted to HK$2,184 million for the year ended 31 December 2010 (18-month period ended 31 December 2009 (restated): HK$2,531 million).

Nevertheless, when compared with the Group's aggregate share of the post-tax profits of the three listed associates for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$2,457 million, the Group's aggregate share of the post-tax profits of the three listed associates of HK$2,696 million for the year ended 31 December 2010 represents an increase of HK$239 million, or 10%. Excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the three listed associates of HK$245 million for the corresponding period of 12 months ended 31 December 2009, the Group's aggregate share of the underlying post-tax profits of the three listed associates for the corresponding period of 12 months ended 31 December 2009 amounted to HK$2,212 million. The Group's aggregate share of the underlying post-tax profits of the three listed associates of HK$2,184 million for the year ended 31 December 2010 represents a decrease of HK$28 million, or 1%, from that for the corresponding period of 12 months ended 31 December 2009. In this regard, during the year ended 31 December 2010 and when compared with the corresponding period of 12 months ended 31 December 2009, the Group recorded the following:

(i) An increase in the share of underlying post-tax profit from HKCG of HK$124 million, mainly due to the Group's share of increase in profit contribution from the gas operation businesses in Hong Kong and mainland China in the aggregate amount of HK$230 million and the Group's share of increase in profit contribution from the property leasing and hotel operation of the IFC Complex in the amount of HK$29 million (for reasons as referred to in the paragraph headed "Jointly controlled entities" below), which were partially offset by the Group's share of decrease in profit contribution from property sales (mainly relating to Grand Promenade) of HK$31 million, the Group's share of decrease in net investment gain of HK$20 million and the absence of the Group's share of an aggregate one-off gain of HK$89 million attributable to the acquisition of a subsidiary in mainland China and the deemed disposal of an associate in mainland China during the corresponding period of 12 months ended 31 December 2009 but which did not recur during the year ended 31 December 2010;

(ii) an increase in the share of underlying post-tax profit from Miramar of HK$46 million, mainly due to the Group's share of increase in profit contribution from hotel operation of The Mira Hong Kong (following the completion of its remodelling and refitting programme of guestrooms) in the amount of HK$40 million, the Group's share of increase in profit contribution from travel operations and food and beverage businesses of HK$11 million, the Group's share of increase in the gain on securities investment of HK$8 million, the Group's share of gain of HK$10 million relating to the write back of provision on certain completed properties held for sale in Guangzhou, mainland China during the year and the Group's share of savings in administrative, finance and other expenses of HK$13 million during the year, which were partially offset by the Group's share of decrease in profit contribution from the property leasing business of HK$41 million. Such comparison is made between the Group's share of underlying post-tax profit from Miramar for the year ended 31 December 2010 and that for the period of 15 months from 1 October 2008 to 31 December 2009 due to the change in Miramar's financial year end date from 31 March to 31 December.

Had the Group's share of the underlying post-tax profit from Miramar for the corresponding period of 12 months ended 31 December 2009 been adopted for comparison purpose, the Group would have recorded an increase in the share of underlying post-tax profit from Miramar of HK$73 million, mainly due to the Group's share of increase in profit contribution from hotel operation of The Mira Hong Kong (following the completion of its remodelling and refitting programme of guestrooms) in the amount of HK$39 million, the Group's share of increase in profit contribution from travel operations and food and beverage businesses of HK$13 million, the Group's share of increase in the gain on securities investment of HK$8 million and the Group's share of gain of HK$10 million relating to the write back of provision on certain completed properties held for sale in Guangzhou, mainland China during the year; and

(iii) a decrease in the share of underlying post-tax profit from HK Ferry of HK$198 million, mainly for the reasons of the Group's share of decrease in profit contribution from property sales (mainly relating to Shining Heights) in the amount of HK$118 million and the Group's share of decrease in the gain on securities investment of HK$90 million, which were partially offset by the Group's share of the one-off gain on disposal of investment properties of Metro Regalia of HK$11 million during the year ended 31 December 2010.

Jointly controlled entities

The Group's share of post-tax profits less losses of jointly controlled entities which are mainly engaged in property development and property investment activities amounted to HK$2,916 million during the year ended 31 December 2010 (18-month period ended 31 December 2009 (restated): HK$4,919 million). Excluding the Group's attributable share of changes in fair value of investment properties held by the jointly controlled entities of HK$1,742 million during the year ended 31 December 2010 (18-month period ended 31 December 2009 (restated): HK$3,556 million), the Group's share of the underlying post-tax profits less losses of jointly controlled entities for the year ended 31 December 2010 amounted to HK$1,174 million (18-month period ended 31 December 2009 (restated): HK$1,363 million).

Nevertheless, when compared with the Group's share of post-tax profits less losses of jointly controlled entities for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$2,447 million, the Group's share of post-tax profits less losses of jointly controlled entities of HK$2,916 million for the year ended 31 December 2010 represents an increase of HK$469 million, or 19%. Excluding the Group's attributable share of changes in fair value of investment properties held by the jointly controlled entities of HK$1,430 million for the corresponding period of 12 months ended 31 December 2009, the Group's share of the underlying post-tax profits less losses of jointly controlled entities for the corresponding period of 12 months ended 31 December 2009 amounted to HK$1,017 million. The Group's share of the underlying post-tax profits less losses of jointly controlled entities of HK$1,174 million for the year ended 31 December 2010 represents an increase of HK$157 million, or 15%, over and above that for the corresponding period of 12 months ended 31 December 2009. Such increase was mainly attributable to the Group's share of increase in profit contributions during the year from (i) the property leasing of the IFC Complex in the amount of HK$120 million due to favourable rental reversions upon lease renewals; and (ii) the hotel operation of the IFC Complex in the amount of HK$38 million due to improved occupancy rates and average room rates of the Four Seasons Hotel.

Finance costs

Finance costs (comprising interest expense and other borrowing costs) recognised as expenses for the year ended 31 December 2010 were HK$970 million (18-month period ended 31 December 2009: HK$1,341 million). Finance costs before interest capitalisation for the year ended 31 December 2010 were HK$1,441 million (18-month period ended 31 December 2009: HK$1,912 million).

Nevertheless, when compared with the Group's finance costs (comprising interest expense and other borrowing costs) for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$901 million, the Group's finance costs (comprising interest expense and other borrowing costs) for the year of HK$970 million represents an increase of HK$69 million, or 8%, for the reason of an increase in the amount of the Group's Total debt (as such term is defined in and referred to in the section headed "Financial resources and liquidity" below). For the same reason, when compared with the Group's finance costs before interest capitalisation for the corresponding period of 12 months ended 31 December 2009 which amounted to HK$1,172 million, the Group's finance costs before interest capitalisation for the year of HK$1,441 million represents an increase of HK$269 million, or 23%.

During the year ended 31 December 2010, the Group's effective borrowing rate was approximately 2.64% per annum (18-month period ended 31 December 2009: approximately 3.11% per annum). By comparison, the Group's effective borrowing rate was approximately 2.79% per annum for the corresponding period of 12 months ended 31 December 2009.

Revaluation of investment properties

The Group recognised an increase in fair value on its investment properties (before deferred taxation and non-controlling interests) of HK$9,538 million in the consolidated income statement for the year ended 31 December 2010 (18-month period ended 31 December 2009: HK$7,156 million).

By comparison, the Group recognised an increase in fair value on its investment properties (before deferred taxation and non-controlling interests) of HK$9,802 million for the corresponding period of 12 months ended 31 December 2009. The increase in fair value on the Group's investment properties (before deferred taxation and non-controlling interests) of HK$9,538 million during the year ended 31 December 2010 represents a decrease of HK$264 million, or 3%, from that for the corresponding period of 12 months ended 31 December 2009.

Financial resources and liquidity

Maturity profile and interest cover

At 31 December 2010, the aggregate of the Group's bank and other borrowings and the amount due to a fellow subsidiary ("Total debt") amounted to approximately HK$54,615 million (2009: HK$38,241 million), the entire amount of which was unsecured (2009: bank loans and overdrafts were unsecured except for an amount of HK$22 million grouped under "Liabilities associated with assets classified as held for sale" which was secured by the Group's toll highway operating right). The maturity profile of the Total debt, the cash and bank balances and the gearing ratio of the Group were as follows:

	2010 HK$ million	2009 HK$ million
Bank and other borrowings repayable:		
– Within 1 year	**7,516**	4,869
– After 1 year but within 2 years	**16,407**	5,646
– After 2 years but within 5 years	**10,054**	19,502
– After 5 years	**7,662**	6,014
Amount due to a fellow subsidiary		
– Due after 1 year but within 2 years	**12,976**	2,210
Total debt	**54,615**	38,241
Less: Cash and bank balances	**9,797**	10,531
Net debt	**44,818**	27,710
Shareholders' funds (2009 – restated)	**159,038**	142,228
Gearing ratio (%) (2009 – restated)	**28.2%**	19.5%

Gearing ratio is calculated based on the net debt (being the Total debt (as defined above) less cash and bank balances) and shareholders' funds of the Group at the balance sheet date. The Group's gearing ratio increased from 19.5% (as restated) at 31 December 2009 to 28.2% at 31 December 2010, which is mainly attributable to the combined effect of the increases, at the end of the year, in the Group's net debt and shareholders' funds.

The interest cover of the Group is calculated as follows:

	Year ended 31 December 2010 HK$ million	12 months ended 31 December 2009 HK$ million	18 months ended 31 December 2009 (restated) HK$ million
Profit from operations (before changes in fair value of investment properties) plus the Group's share of the underlying profits less losses of associates and jointly controlled entities (before taxation)	**6,990**	7,647	9,973
Interest expense (before interest capitalisation)	**1,283**	1,064	1,782
Interest cover (times)	**5**	7	6

With abundant banking facilities in place and the recurrent income generation from its operations, the Group has adequate financial resources in meeting the funding requirements for its ongoing operations as well as its future expansion.

Treasury and financial management

The Group is exposed to interest rate and foreign exchange risks. To efficiently and effectively manage these risks, the Group's financing and treasury activities were centrally co-ordinated at the corporate level. As a matter of policy, all transactions in derivative financial instruments are undertaken solely for risk management purposes and no derivative financial instruments were held by the Group at the balance sheet date for speculative purposes.

The Group conducts its business primarily in Hong Kong with the related cash flows, assets and liabilities being denominated mainly in Hong Kong dollars. The Group's primary foreign exchange exposure arises from its property developments and investments in mainland China which are denominated in Renminbi ("RMB"), the guaranteed notes ("Notes") which are denominated in United States dollars and Sterling, as well as certain bank borrowings ("USD borrowings") and the fixed coupon rate bond ("Bond") which are denominated in United States dollars.

In respect of the Group's operations in mainland China, apart from its capital contributions and, in some cases, loan contributions to projects which are denominated in RMB and are not hedged, the Group endeavours to establish a natural hedge by maintaining an appropriate level of external borrowings in RMB. In respect of the Notes, the Bond and the USD borrowings in the aggregate principal amounts of US$972,500,000 and £50,000,000 at 31 December 2010 (2009: US$1,023,520,408 and £50,000,000), there were interest rate swap contracts and cross currency swap contracts which were entered into between the Group and certain counterparty banks for hedging purpose as referred to below. Furthermore, in respect of certain of the Group's bank loans denominated in Hong Kong dollars in the aggregate principal amount of HK$7,100,000,000 at 31 December 2010 (2009: HK$5,500,000,000) which bear floating interest rates ("HKD borrowings"), there were interest rate swap contracts which were entered into between the Group and certain counterparty banks for hedging purpose as referred to below.

The purpose of the abovementioned swap contracts is to enable the Group to (i) secure a fixed interest rate level in relation to the Hong Kong dollar funding resulting from the conversion of the principal amounts of the Notes, the Bond and the USD borrowings into Hong Kong dollars, and hence to hedge against the foreign exchange risk which may arise during the financial years between the issuance date and the maturity date in respect of the entire amount of each tranche of the Notes and the entire amount of the Bond and between the drawdown dates and the repayment dates in respect of the entire amounts of the USD borrowings; and (ii) hedge against the interest rate risk by converting the floating interest rates into fixed interest rates during the financial years between the drawdown dates and the repayment dates in respect of the HKD borrowings to the extent of HK$7,100,000,000 at 31 December 2010. As a result, the Group does not expect any significant interest rate risk and foreign exchange risk exposures in relation to the Notes, the Bond and the USD borrowings, and any significant interest rate risk exposure in relation to the Group's HKD borrowings to the extent of HK$7,100,000,000 at 31 December 2010.

Material acquisitions and disposals

Material acquisitions

On 20 April 2010, the Group acquired the entire issued share capitals and the shareholder's loans of three companies which are beneficially interested in certain leasehold land sites in the New Territories, Hong Kong, for a cash consideration (subject to adjustments) of HK$600 million. The acquisition was completed on 20 May 2010.

In November 2010, the Group acquired the remaining equity interest in an associate which is engaged in property investment in mainland China, as a result of which such entity became a wholly-owned subsidiary of the Group. The consideration payable by the Group for such acquisition amounted to HK$38 million and an income representing the excess of interest in fair value of the acquiree's identifiable assets over cost of business combination in the amount of HK$22 million was recognized during the year ended 31 December 2010.

Material disposals

On 26 February 2010, an indirectly owned subsidiary of the Company completed the disposal of its entire 70% interest in Maanshan Huan Tong Highway Development Limited to 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). As a result of the disposal, the Group recognised a net gain on disposal attributable to equity shareholders of the Company of HK$18 million during the year ended 31 December 2010.

On 11 October 2010, the Group disposed of the entire issued share capital of Sin Cheng Holdings Pte Ltd, an indirect wholly-owned subsidiary of the Company which owns 50% equity interest in Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre, to Intime Department Store (Group) Company Limited ("Intime") for a consideration of HK$1,612.5 million (subject to adjustment) which was satisfied by the issuance of 147,664,835 new shares of US$0.00001 each in the capital of Intime. The disposal was completed on 22 December 2010 and as a result, the Group recognised a net gain on disposal of HK$1,007 million during the year ended 31 December 2010.

Save as disclosed above, the Group did not undertake any other significant acquisitions or disposals of subsidiaries or assets during the year ended 31 December 2010.

Charge on assets

Assets of the Group were not charged to any third parties at 31 December 2010 (2009: certain project financing facilities extended by banks to a subsidiary of the Company engaged in infrastructure projects in mainland China, with an outstanding balance of HK$22 million which was grouped under "Liabilities associated with assets classified as held for sale" at 31 December 2009, were secured by the Group's toll highway operating right).

Capital commitments

At 31 December 2010, capital commitments of the Group amounted to HK$36,032 million (2009: HK$33,801 million).

Contingent liabilities

At 31 December 2010, the Group's contingent liabilities amounted to HK$65 million (2009: HK$90 million).

Employees and remuneration policy

At 31 December 2010, the Group had approximately 8,000 (2009: 7,700) full-time employees. The remuneration of the employees is in line with the market and commensurate with the level of pay in the industry. Discretionary year-end bonuses are payable to the employees based on individual performance. Other benefits to the employees include medical insurance, retirement scheme, training programmes and education subsidies.

Total staff costs for the year ended 31 December 2010 amounted to HK$1,606 million (18-month period ended 31 December 2009: HK$2,239 million), which comprised (i) staff costs included under directors' remuneration of HK$149 million (18-month period ended 31 December 2009: HK$235 million); and (ii) staff costs (other than directors' remuneration) of HK$1,457 million (18-month period ended 31 December 2009: HK$2,004 million).

By comparison, total staff costs for the corresponding period of 12 months ended 31 December 2009 amounted to HK$1,544 million, which comprised (i) staff costs included under directors' remuneration of HK$141 million; and (ii) staff costs (other than directors' remuneration) of HK$1,403 million. In this regard, compared with the corresponding period of 12 months ended 31 December 2009, the Group's total staff costs for the year of HK$1,606 million represents an increase of HK$62 million or 4%.

Five Year Financial Summary

	Note	Year ended 30 June 2006 HK$ million	2007 HK$ million	2008 (restated) HK$ million	18-month period from 1 July 2008 to 31 December 2009 (restated) (note 1) HK$ million	Year ended 31 December 2010 HK$ million
Profit for the year/period	*2&5*	13,549	9,818	16,485	15,465	15,820
Underlying profit for the year/period	*2,3&5*	5,268	5,883	5,578	6,027	5,042
		HK$	HK$	HK$	HK$	HK$
Earnings per share	*2&5*	7.47	5.19	8.03	7.20	7.32
Underlying earnings per share	*2,3&5*	2.90	3.11	2.72	2.81	2.33
Dividends per share	*2*	1.05	1.10	1.10	1.30	1.00

	Note	At 30 June 2006 HK$ million	2007 HK$ million	2008 (restated) HK$ million	At 31 December 2009 (restated) (note 1) HK$ million	2010 HK$ million
Fixed assets	*4*	56,868	52,831	60,319	70,296	84,068
Interest in associates	*5*	16,963	20,536	34,884	36,561	37,981
Interest in jointly controlled entities	*5*	16,026	11,168	15,517	18,893	20,947
Inventories		21,036	29,383	37,624	41,541	60,717
Net debt (restated)	*6*	14,894	11,197	21,823	27,710	44,818
Net asset value	*2&5*	77,964	92,219	129,164	142,228	159,038
Net debt to net asset value (restated)	*2*	19.1%	12.1%	16.9%	19.5%	28.2%
		HK$	HK$	HK$	HK$	HK$
Net asset value per share	*2*	42.96	47.47	60.16	66.24	73.09

Notes:

1 *Pursuant to a resolution of the Board of Directors dated 19 March 2009, the Company's financial year end date has been changed from 30 June to 31 December in order to align with that of its major listed associate, The Hong Kong and China Gas Company Limited, and of project companies established in mainland China.*

2 *The profits, earnings, dividends and net asset values shown or referred to above were all attributable to equity shareholders of the Company.*

3 *These figures were calculated based on profit attributable to equity shareholders of the Company and adjusted by excluding the Group's attributable share of changes in fair value of investment properties (net of deferred taxation) held by the Group's subsidiaries, associates and jointly controlled entities.*

4 *In order to comply with HK(IFRIC) 12 "Service concession arrangements", the Group changed its accounting policy relating to toll bridge under public-to-private service concession arrangement with effect from 1 July 2008. The new accounting policy was applied retrospectively with figures for the financial year ended 30 June 2008 restated. Figures in financial years before 1 July 2007 have not been restated as the management consider it would be impracticable to do so. At 30 June 2008 and 31 December 2009, fixed assets excluded intangible operating rights (which included toll highway operating right) and at 30 June 2005, 2006 and 2007, fixed assets excluded toll highway operating rights.*

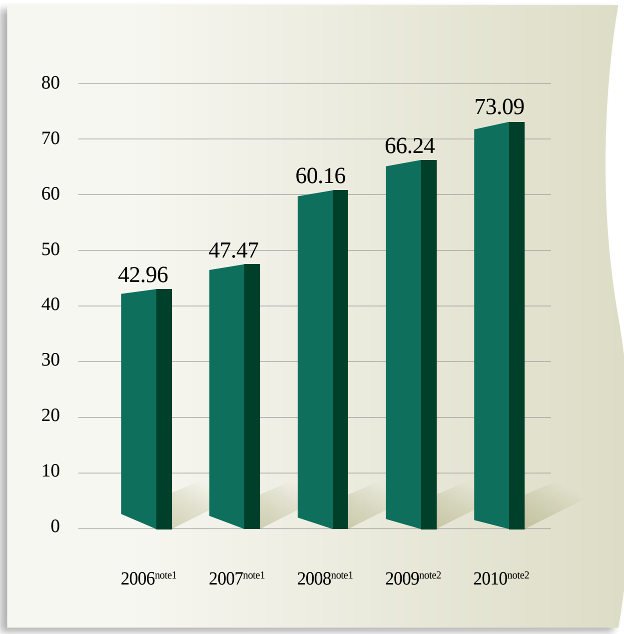
In order to comply with the amendments to HKAS 40, Investment property, the Group has changed its accounting policy to recognise investment property under construction at fair value at the earliest reporting date at which fair value could be reliably estimated, rather than waiting until completion of the construction. The policy was applied prospectively as from 1 January 2010 and net assets and profits for earlier periods have not been restated.

The Group has adopted the amendments to HKAS 17, Leases. This new accounting policy was applied retrospectively as a result of which certain leases of land (previously included under "Interests in leasehold land held for own use under operating leases") with carrying amounts of HK$1,006 million at 1 July 2008, HK$976 million at 31 December 2009 and HK$880 million at 31 December 2010 have been reclassified as finance leases and included under "Fixed assets". Figures in financial years before 1 July 2007 have not been restated as the management consider it would be impracticable to do so.

5 *The Group has also early adopted the amendments to HKAS 12, Income taxes, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, Investment property. The change in policy arising from the amendments to HKAS 12 has been applied retrospectively by restating the opening balances at 1 July 2008 and 1 January 2010, with consequential adjustments to the figures for the 18 months ended 31 December 2009. Figures in financial years before 1 July 2007 have not been restated as the management consider it would be impracticable to do so.*

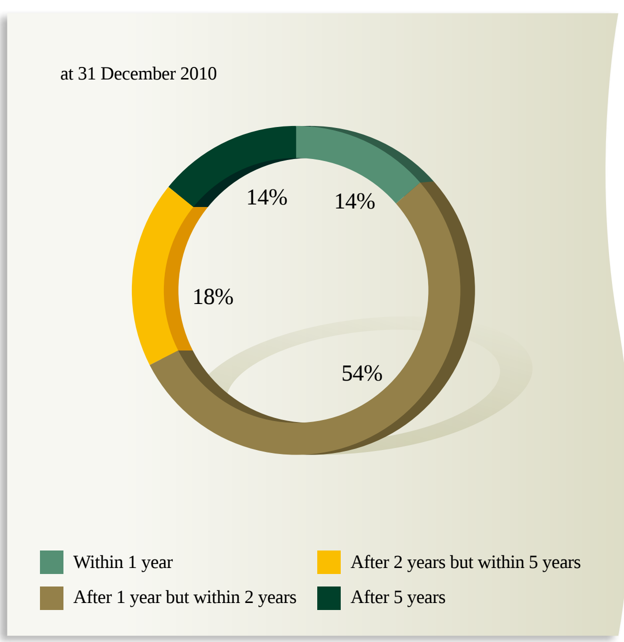
6 *Net debt represents the total of bank loans and overdrafts, guaranteed notes, guaranteed convertible notes and the amount due to a fellow subsidiary minus cash and bank balances.*

Net asset value per share (HK$)

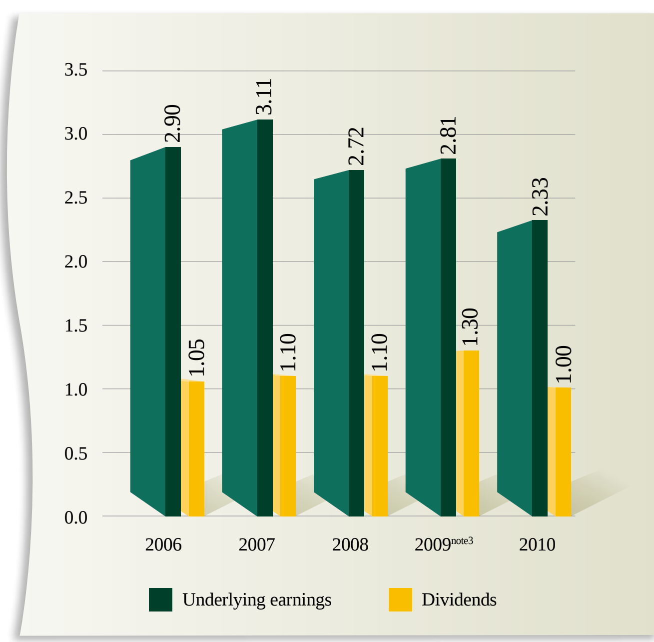


Net debt to net asset value (restated)

Maturity profile of the Group's total debt



Underlying earnings / dividends per share (HK$)



Notes:

1. *At 30 June.*
2. *At 31 December.*
3. *In respect of the eighteen months ended 31 December 2009.*

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 year ended 31 December 2010.

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 year ended 31 December 2010, 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.

The Company is honoured being a founding constituent member of the new Hang Seng Corporate Sustainability Index Series launched in July 2010.

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.

b) Board Composition

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

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

The biographical details of the Directors are set out on pages 154 to 160 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 Woo Ka Biu, Jackson. 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 2013. 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 year ended 31 December 2010, 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 confirmation in writing 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.

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, including those appointed for a specific term, 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.

During the year ended 31 December 2010, the Board considered and approved the appointment of Mr. Wong Ho Ming, Augustine as an Executive Director of the Company with effect from 15 September 2010. He is subject to retirement and re-election at the forthcoming AGM in accordance with the Articles.

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 year ended 31 December 2010, the Board held five 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 131.

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.

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	Non-executive Director
Kwong Che Keung, Gordon *(Chairman)*	Leung Hay Man
Ko Ping Keung	
Wu King Cheong	

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 auditor 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 three meetings during the year ended 31 December 2010. The major work performed by the Audit Committee in respect of the year ended 31 December 2010 included reviewing and recommending the re-appointment of external auditor, approving the terms of engagement (including the remuneration) of the external auditor, reviewing the unaudited interim report and interim results announcement for the six months ended 30 June 2010, reviewing the audited accounts and final results announcement for the 18-month period 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, corporate governance and cost 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.

b) Remuneration Committee

The Remuneration Committee which was established in January 2005 comprises:

Executive Directors	**Independent Non-executive Directors**
Lee Shau Kee	Wu King Cheong *(Chairman)*
Lam Ko Yin, Colin	Kwong Che Keung, Gordon
	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 205 to 207. 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.

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

The attendance of the individual Director at the meetings of the Board, the Audit Committee and the Remuneration Committee during the year ended 31 December 2010 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 *(Chairman)*	[1]4/5	N/A	0/1
Lee Ka Kit	[1]4/5	N/A	N/A
Lam Ko Yin, Colin	5/5	N/A	1/1
Lee Ka Shing	[1]3/5	N/A	N/A
Yip Ying Chee, John	5/5	N/A	N/A
Au Siu Kee, Alexander	5/5	N/A	N/A
Suen Kwok Lam	5/5	N/A	N/A
Lee King Yue	5/5	N/A	N/A
Fung Lee Woon King	[1]4/5	N/A	N/A
Lau Yum Chuen, Eddie	5/5	N/A	N/A
Li Ning	[1]3/5	N/A	N/A
Kwok Ping Ho, Patrick	5/5	N/A	N/A
Wong Ho Ming, Augustine	[2]2/2	N/A	N/A
Non-executive Directors:			
Woo Po Shing	[3]4/5	N/A	N/A
Leung Hay Man	4/5	3/3	N/A
Lee Pui Ling, Angelina	5/5	N/A	N/A
Lee Tat Man	[1]2/5	N/A	N/A
Independent Non-executive Directors:			
Kwong Che Keung, Gordon	5/5	3/3	1/1
Ko Ping Keung	5/5	3/3	1/1
Wu King Cheong	5/5	3/3	1/1

Remarks:

1. *Out of the five meetings of the Board, one Board meeting was to consider the continuing connected transactions with the companies controlled by private trusts of the family of Dr. Lee Shau Kee. Absence of Dr. Lee Shau Kee, 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. *Subsequent to Mr. Wong Ho Ming, Augustine's appointment as an executive Director on 15 September 2010, there were only two Board meetings held.*

3. *Four Board meetings were attended by his alternate, Mr. Woo Ka Biu, Jackson.*

E) Directors' responsibility for the Financial Statements

The Directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2010, 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 year 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 Auditor of the Company about their reporting responsibilities on the financial statements of the Company is set out in the Auditor's Report on page 162.

F) Auditor's Remuneration

For the year ended 31 December 2010, the Auditor(s) of the Company and its subsidiaries received approximately HK$17.1 million for audit and audit related services (18-month period ended 31 December 2009: HK$19.4 million) as well as HK$2.9 million for non-audit services (18-month period ended 31 December 2009: HK$2.6 million). The significant non-audit services covered by these fees included the following:

Nature of service	Fees paid (HK$ million)
Tax services	0.6
Other services	2.3
	2.9

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 year ended 31 December 2010, 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, and is satisfied that such systems are effective and adequate.

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 ("AGM") 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.

Report of the Directors

The Directors have pleasure in submitting to shareholders their annual report together with the audited accounts for the year ended 31 December 2010.

Principal Activities

The Company is an investment holding company and the principal activities of its subsidiaries during the year 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 16 to the accounts on pages 218 to 221.

Subsidiaries

Particulars of the principal subsidiaries of the Company as at 31 December 2010 are set out on pages 253 to 258.

Group Profit

The profit of the Group for the year ended 31 December 2010 and the state of affairs of the Company and the Group at that date are set out in the accounts on pages 163 to 260.

Dividends

On 2 June 2010, bonus warrants at an initial subscription price of HK$58 per share (subject to adjustment) for a subscription period up to 1 June 2011 totalling 429,348,478 units (on the basis of one warrant for every five shares held) were issued to shareholders of the Company in accordance with the shareholders' approval obtained at the extraordinary general meeting of the Company held on 1 June 2010.

An interim dividend of HK$0.30 per share was paid on 15 October 2010. 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 Friday, 29 April 2011, 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 the proposed final dividend, but will rank pari passu in all other respects with the existing shares.

The circular containing details of the Scrip Dividend Scheme and the relevant election form will be sent to Shareholders on or about Monday, 9 May 2011.

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 Friday, 10 June 2011.

Charitable Donations

Charitable donations made by the Group during the year amounted to HK$12,100,000 (18-month period ended 31 December 2009: HK$24,800,000).

Fixed Assets

Particulars of the movements in fixed assets during the year are set out in note 17 to the accounts on pages 222 to 226.

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 2010 are set out in notes 30 and 31 to the accounts on pages 238 and 239.

Interest Capitalised

The amount of interest capitalised by the Group during the year ended 31 December 2010 is set out in note 8 to the accounts on page 203.

Reserves

Particulars of the movements in reserves during the year ended 31 December 2010 are set out in note 34 to the accounts on pages 241 to 244.

Share Capital

During the year, the Company issued 18,610,071 shares in lieu of the 2009 final cash dividends at a market value of HK$47.11 per share, 10,545,528 shares in lieu of the 2010 interim cash dividends at a market value of HK$49.40 per share and 91,947 shares upon the exercise by the holders of the bonus warrants at a subscription price of HK$58 per share.

Details of the Company's share capital are set out in note 34 to the accounts on pages 241 and 243.

Group Financial Summary

The results, assets and liabilities of the Group for the last three years ended 30 June 2008, the 18-month period ended 31 December 2009 and the year ended 31 December 2010 are summarised on page 124.

Development and Investment Properties

Particulars of development and investment properties of the Group are set out on pages 50 to 63 and on pages 88 to 101.

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 205 to 207.

Directors

The Directors of the Company during the financial year 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)
Lam Ko Yin, Colin
(Vice Chairman)
Lee Ka Shing
(Vice Chairman)
Yip Ying Chee, John
Au Siu Kee, Alexander
Suen Kwok Lam
Lee King Yue
Fung Lee Woon King
Lau Yum Chuen, Eddie
Li Ning
Kwok Ping Ho, Patrick
Wong Ho Ming, Augustine
(appointed on 15 September 2010)

Non-executive Directors

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

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong

Mr. Wong Ho Ming, Augustine, being the new Director appointed after the 2010 annual general meeting, will retire in accordance with Article 99 of the Company's Articles of Association at the forthcoming annual general meeting and, being eligible, offer himself for re-election.

Mr. Lee Ka Kit, Mr. Lee Ka Shing, Mr. Suen Kwok Lam, Mr. Kwok Ping Ho, Patrick, Mrs. Lee Pui Ling, Angelina and Mr. Wu King Cheong 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.

Disclosure of Interests

Directors' Interests in Shares

As at 31 December 2010, 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 Shau Kee	1	7,421,815		1,183,222,332		1,190,644,147	54.72
	Lee Ka Kit	1				1,183,222,332	1,183,222,332	54.38
	Lee Ka Shing	1				1,183,222,332	1,183,222,332	54.38
	Li Ning	1		1,183,222,332			1,183,222,332	54.38
	Lee Tat Man	2	113,048				113,048	0.01
	Lee Pui Ling, Angelina	3	30,629				30,629	0.00
	Lee King Yue	4	253,793		19,920		273,713	0.01
	Fung Lee Woon King	5	1,006,073				1,006,073	0.05
	Woo Ka Biu, Jackson	6		2,000			2,000	0.00
Henderson Investment Limited	Lee Shau 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 Shau Kee	10	4,294,037		2,976,388,182		2,980,682,219	41.50
	Lee Ka Kit	10				2,976,388,182	2,976,388,182	41.44
	Lee Ka Shing	10				2,976,388,182	2,976,388,182	41.44
	Li Ning	10		2,976,388,182			2,976,388,182	41.44
	Au Siu Kee, Alexander	11		66,550			66,550	0.00
Hong Kong Ferry (Holdings) Company Limited	Lee Shau 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
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

(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
Towngas China Company Limited	Lee Shau Kee	18			1,628,172,901		1,628,172,901	66.49
	Lee Ka Kit	18				1,628,172,901	1,628,172,901	66.49
	Lee Ka Shing	18				1,628,172,901	1,628,172,901	66.49
	Li Ning	18		1,628,172,901			1,628,172,901	66.49
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
	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

(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
Best Homes Limited	Lee Shau 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 Shau Kee	27			100 (A Shares)		100 (A Shares)	100.00
	Lee Shau 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
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

(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
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) Units of Warrants (Note 38)
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 Shau Kee	1	1,453,801		229,861,173		231,314,974	10.63
	Lee Ka Kit	1				229,861,173	229,861,173	10.56
	Lee Ka Shing	1				229,861,173	229,861,173	10.56
	Li Ning	1		229,861,173			229,861,173	10.56
	Lee Tat Man	2	22,278				22,278	0.00
	Lee Pui Ling, Angelina	3	6,000				6,000	0.00
	Lee King Yue	4	50,452		3,960		54,412	0.00
	Fung Lee Woon King	5	200,000				200,000	0.01
	Woo Ka Biu, Jackson	6		400			400	0.00

(C) 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.

Share Option Schemes

The Company and its subsidiaries have no share option schemes.

Arrangements to Purchase Shares or Debentures

At no time during the year ended 31 December 2010 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 2010, 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)	1,413,083,505	64.94
Riddick (Cayman) Limited (Note 1)	1,413,083,505	64.94
Hopkins (Cayman) Limited (Note 1)	1,413,083,505	64.94
Henderson Development Limited (Note 1)	1,411,415,511	64.86
Yamina Investment Limited (Note 1)	698,079,786	32.08
Believegood Limited (Note 1)	311,758,211	14.33
South Base Limited (Note 1)	311,758,211	14.33
Persons other than Substantial Shareholders:		
Cameron Enterprise Inc. (Note 1)	177,158,074	8.14
Third Avenue Management LLC on behalf of numerous portfolios (Note 37)	151,521,157	6.96

Notes:

1. *Of these shares and warrants, Dr. Lee Shau Kee was the beneficial owner of 7,421,815 shares and 1,453,801 warrants, and for the remaining 1,183,222,332 shares and 229,861,173 warrants, (i) 582,741,947 shares and 114,148,760 warrants were owned by Henderson Development Limited ("HD"); (ii) 8,129,478 shares and 1,592,420 warrants were owned by Sandra Investment Limited which was a wholly-owned subsidiary of HD; (iii) 148,140,074 shares and 29,018,000 warrants were owned by Cameron Enterprise Inc.; 262,310,351 shares and 49,447,860 warrants were owned by Believegood Limited which was wholly-owned by South Base Limited; 62,590,687 shares and 12,260,400 warrants were owned by Prosglass Investment Limited which was wholly-owned by Jayasia Investments Limited; 56,156,207 shares and 11,000,000 warrants were owned by Fancy Eye Limited which was wholly-owned by Mei Yu Ltd.; 56,156,207 shares and 11,000,000 warrants 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 and 1,120,520 warrants 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 64.86% held by HD; and (v) 1,394,781 shares and 273,213 warrants 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 Shau Kee. Dr. Lee Shau 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.*

2. *Mr. Lee Tat Man was the beneficial owner of these shares and warrants.*

3. *Mrs. Lee Pui Ling, Angelina was the beneficial owner of these shares and warrants.*

4. *Of these shares and warrants, Mr. Lee King Yue was the beneficial owner of 253,793 shares and 50,452 warrants, and the remaining 19,920 shares and 3,960 warrants 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 and warrants.*

6. *These shares and warrants 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 4,294,037 shares, and for the remaining 2,976,388,182 shares, (i) 1,542,661,734 shares and 644,503,474 shares were respectively owned by Disralei Investment Limited and Medley Investment Limited, both of which were wholly-owned subsidiaries of Timpani Investments Limited; 676,825,043 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) 5,279,373 shares were owned by Boldwin Enterprises Limited, a wholly-owned subsidiary of Yamina Investment Limited which was 100% held by HD; and (iii) 107,118,558 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.*

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 Andcoe 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 Andcoe 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 interests included 147,521,157 shares and 4,000,000 warrants.*

38. *The warrants of HL entitle the holders thereof to subscribe at any time during the period from 2 June 2010 to 1 June 2011 (both days inclusive) for fully paid shares of HL at an initial subscription price of HK$58 per share (subject to adjustment).*

Interests in Contracts and Continuing Connected Transactions

During the year under review, the Group entered into the following transactions and arrangements 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 2010, an amount of approximately HK$5 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 2010, the amounts of approximately HK$12,785 million, HK$40 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 year 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 2010, 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 in Shanghai and 40 per cent interest in Henfield Properties Limited (certain of 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 2010, 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 2010, no interest on the advances made by Mr. Lee Ka Kit was charged.

(3) During the year ended 31 December 2010, the Group made advances to the following non wholly-owned subsidiaries and associates as unsecured working capital repayable on demand:

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 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:

(i) 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");

(c) agreements of various dates 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 ended 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

For the year ended 31 December 2010, the Group received HK$34,800,000 for the Property Management Transactions, HK$57,344,000 for the Asset Management Transactions and HK$4,027,000 for the Security Services Transactions which in aggregate amounted to HK$96,171,000; while no fee was received for the Other Ancillary Property Services Transactions (collectively "Sunlight REIT Transactions").

(ii) 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") (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 during that period, 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 ended 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

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 ended 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.

For the year ended 31 December 2010, the Group received HK$387,000 as PM Fee, HK$23,817,000 as Main Contractor Fee and HK$3,310,000 as Carry Express Sales Agency Fee while no Sales Agency Fee for Nation Sheen and Leasing Agency Fee for Carry Express was received by the Group (collectively "Conduit Road Transactions"). As a result of the cancelled transactions of 20 units of Conduit Road Development as described in the announcement of the Company dated 15 June 2010, sales agency fees of HK$26,672,000 accrued therefrom during the last financial period ended 31 December 2009 were refunded by HREAL to Nation Sheen and Carry Express during the year.

(iii) As disclosed in the announcement dated 15 January 2010, the following agreements relating to the development at Demarcation District No. 206 (as converted to Sha Tin Town Lot 502), Lok Wo Sha, Wu Kai Sha, New Territories, Hong Kong (the "Development") were entered into on 14 January 2010:

(a) a letter of award between HREAL (on behalf of the Group and Regent Star Investment Limited as landlords) and Vibro (H.K.) Limited ("Vibro"), a non-wholly owned subsidiary of New World Development Company Limited ("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

(b) 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 as the 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 about HK$17 million.

As NWD was a substantial shareholder of certain subsidiaries of the Company, 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.

For each of the three years commencing from 20 January 2010, (a) the annual aggregate amount payable by the Group to Vibro thereunder 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 thereunder would not exceed HK$17 million.

For the period from the commencement date of the respective contracts up to 31 December 2010, the Group paid HK$93,515,000 to Vibro as fee for contractor and received HK$16,976,000 from Vibro as fee for sub-contracting works as aforesaid (collectively the "Vibro and Granbo Transactions").

(iv) As disclosed in the announcement dated 26 October 2010, the following letter agreements relating to the provision by HREAL of the sales and marketing agency services and the venue for the show flats were entered into on the dates set out below:

(a) On 26 February 2010, HREAL was appointed by Henderson Development Agency Limited ("HDAL") as the sales and marketing sub-agent for the disposal of the residential units and/or car parking spaces of Park Rise located at 17 MacDonnell Road, Mid-levels, Hong Kong (the "Park Rise Units") at a sales sub-agency fee of 0.75% of the total gross proceeds of disposal for the Park Rise Units for three years;

(b) On 27 April 2010, HREAL was appointed by Long Hope Development Limited ("Long Hope") as the sales and marketing agent for the disposal of the four luxurious low-rise houses located at Nos.11, 12, 12A and 12B Headland Road, Hong Kong (the "Headland Low-rise Houses") at a sales agency fee of 0.6% of the total gross proceeds of disposal for the Headland Low-rise Houses received by Long Hope for eighteen months; and

(c) On 26 October 2010, HREAL was appointed by HDAL as the sales and marketing sub-agent to provide (i) sales and marketing agency services at a sales sub-agency fee of 0.75% of the total gross proceeds for three years and (ii) venue located at Miramar Shopping Centre, 132 Nathan Road, Tsimshatsui, Kowloon, Hong Kong for the show flats (the "Venue"), in relation to the disposal of the residential units and/or car parking spaces located at No.72 Staunton Street, Hong Kong (the "Staunton Units") at a monthly fee of approximately HK$0.89 million (calculated in manner as described therein) for the period from 1 September 2010 up to 30 June 2012 (both dates inclusive).

HDAL is the principal agent of the Park Rise Units and the Staunton Units which are developed by the companies indirectly controlled by the private trusts of the family of Dr. Lee Shau Kee. The developers of the Headland Low-rise Houses are Long Hope (indirectly controlled by the private trusts of the family of Dr. Lee Shau Kee) and Rightlane Investment Limited (a wholly owned subsidiary of the Company), which respectively holds a 55.58% and 44.42% interest in such development.

The annual caps for the aggregate sales agency/sub-agency fees under the sales agency/sub-agency letter agreements in relation to the Park Rise Units, Headland Low-rise Houses and the Staunton Units (the "Sales Agency/Sub-agency Letter Agreements") and the venue fee for the Venue are shown below:

	For the period up to 31 December 2010 (HK$ million)	For the financial year ending 31 December 2011 (HK$ million)	For the financial year ending 31 December 2012 (HK$ million)	For the period up to 25 October 2013 (HK$ million)
Annual caps for the aggregate sales agency/sub-agency fees under the Sales Agency/Sub-agency Letter Agreements	29.69	23.89	19.52	19.52
Annual caps for the venue fee for the Venue	4.27	12.82	6.41	N/A
Total annual caps	33.96	36.71	25.93	19.52

For the period from the date of the respective letter agreements up to 31 December 2010, the Group received HK$4,376,000 as the aggregate Sales Agency/Sub-agency Fees under the Sales Agency/Sub-agency Letter Agreements and HK$3,054,000 as the venue fee under the Staunton Sub-agency Letter Agreement (collectively the "Agency and Venue Transactions").

A Committee of Independent Non-executive Directors of the Company has reviewed and confirmed that the Sunlight REIT Transactions, the Conduit Road Transactions, the Vibro and Granbo Transactions and the Agency and Venue Transactions are (a) in accordance with the terms of the respective 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 Auditor of the Company has also confirmed that the Sunlight REIT Transactions, the Conduit Road Transactions, the Vibro and Granbo Transactions and the Agency and Venue 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 respective caps as aforesaid.

The Company's Auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group in this Annual Report in accordance with Rule 14A.38 of the Listing Rules. The Company has provided a signed copy of the said letter to the Hong Kong Stock Exchange.

(5) The material related party transactions set out in note 39 to the accounts on pages 249 to 251 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 year end or at any time during the year.

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 year ended and as at 31 December 2010 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.

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

Except for the issue of shares regarding the scrip dividend schemes and bonus warrants, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2010.

Major Customers and Suppliers

For the year ended 31 December 2010:

(1) the aggregate amount of purchases attributable to the Group's five largest suppliers accounted for about 33% of the Group's total purchases and the amount of purchases attributable to the largest supplier included therein accounted for about 26% of the Group's total purchases. During the year under review, none of the directors of the Company or any of their associates or any shareholders of the Company (which to the knowledge of the directors, owned more that 5% of the Company's issued share capital) had any beneficial interest in such suppliers of the Group.

(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 year ended 31 December 2010 is shown on pages 110 to 123.

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 year ended 31 December 2010 was HK$1,384,000 (18-month period ended 31 December 2009: HK$1,972,000). As at 31 December 2010, there were no forfeited contributions that could be utilised to reduce the Group's contributions to the Scheme (31 December 2009: Nil).

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 year ended 31 December 2010 was HK$1,958,000 (18-month period ended 31 December 2009: HK$2,598,000) and the balance available to be utilised as at 31 December 2010 was HK$336,000 (31 December 2009: HK$42,000).

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 year ended 31 December 2010 were HK$64,000,000 (18-month period ended 31 December 2009: HK$80,949,000).

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 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 this credit facility was fully repaid and cancelled in July 2009.

Wholly-owned subsidiaries of the Company, as borrowers, have respectively obtained a HK$13,350,000,000 5-year revolving credit facility in 2006, a HK$8,000,000,000 3-year term loan facility in 2009, 5-year term loan and revolving credit facilities of up to HK$13,250,000,000 in 2010 and 3-year term loan and revolving credit facilities of up to HK$10,000,000,000 in 2011 from groups of syndicate of banks under separate guarantees given by the Company.

In connection with each of the above credit facilities, 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 outstanding (if any) under the respective credit facilities may become due and payable on demand.

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.

Auditor

A resolution for the re-appointment of KPMG as Auditor 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 126 to 133.

On behalf of the Board

Lee Shau Kee

Chairman

Hong Kong, 17 March 2011

Biographical Details of Directors and Senior Management

Executive Directors

Dr. the Hon. LEE Shau Kee, *GBM*, *DBA (Hon)*, *DSSc (Hon)*, *LLD (Hon)*, aged 82, is the founder of the Company. He has been the Chairman and Managing Director of the Company since 1976 and has been engaged in property development in Hong Kong for more than 55 years. He is also a member of the Remuneration Committee of the Company. He is the founder and the chairman and managing director of Henderson Investment Limited, the chairman of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, the vice chairman of Sun Hung Kai Properties Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited and The Bank of East Asia, Limited, all of which are listed companies. Dr. Lee was awarded Grand Bauhinia Medal by the Government of the Hong Kong Special Administrative Region in 2007. Dr. Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited, Believegood Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Mr. Lee Tat Man and Madam Fung Lee Woon King, the father of Ms. Lee Pui Man, Margaret, Mr. Lee Ka Kit and Mr. Lee Ka Shing and the father-in-law of Mr. Li Ning.

LEE Ka Kit, *JP*, aged 47, National Committee Member of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1985 and Vice Chairman since 1993. He was educated in the United Kingdom and has been primarily responsible for the development of the PRC business of Henderson Land Group since he joined the Company in 1985. Mr. Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited as well as, a director of The Hong Kong and China Gas Company Limited and Intime Department Store (Group) Company Limited, all of which are listed companies. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region and awarded an Honorary University Fellowship by The University of Hong Kong in 2009 respectively. Mr. Lee is a director of Henderson Development which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr. Lee Shau Kee, the brother of Ms. Lee Pui Man, Margaret and Mr. Lee Ka Shing and the brother-in-law of Mr. Li Ning.

LAM Ko Yin, Colin, *FCILT*, *FHKIoD*, aged 59, joined the Company in 1982 and has been an Executive Director since 1985 and Vice Chairman since 1993. He is also a member of the Remuneration Committee of the Company. He holds a B.Sc. (Honours) degree from The University of Hong Kong and has over 37 years' experience in banking and property development. He is also the chairman of Hong Kong Ferry (Holdings) Company Limited, the vice chairman of Henderson Investment Limited as well as a director of The Hong Kong and China Gas Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies. He is a member of the Court of The University of Hong Kong, a Director of The University of Hong Kong Foundation for Educational Development and Research Limited, and a Director of Fudan University Education Development Foundation. Mr. Lam was awarded an Honorary University Fellowship by The University of Hong Kong in 2008. He is a Fellow of The Chartered Institute of Logistics and Transport in Hong Kong and a Fellow of The Hong Kong Institute of Directors. Mr. Lam is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

LEE Ka Shing, aged 39, a Committee Member of the 10th Guangxi Zhuangzu Zizhiqu Committee and of the 10th Foshan Committee of the Chinese People's Political Consultative Conference, PRC, has been an Executive Director of the Company since 1993 and Vice Chairman since 2005. He was educated in Canada. Mr. Lee is the vice chairman of Henderson Development Limited ("Henderson Development"). He is also the vice chairman of Henderson Investment Limited, managing director of Miramar Hotel and Investment Company, Limited as well as a director of The Hong Kong and China Gas Company Limited, all of which are listed companies. Mr. Lee is a director of Henderson Development and Believegood Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the son of Dr. Lee Shau Kee, the brother of Ms. Lee Pui Man, Margaret and Mr. Lee Ka Kit and the brother-in-law of Mr. Li Ning.

YIP Ying Chee, John, *LLB*, *FCIS*, aged 62, has been an Executive Director of the Company since 1997. He graduated from the University of Hong Kong and the London School of Economics and is a solicitor and a certified public accountant. He has over 30 years' experience in corporate finance, and corporate and investment management.

AU Siu Kee, Alexander, *OBE*, *ACA*, *FCCA*, *FCPA*, *AAIA*, *FCIB*, *FHKIB*, aged 64. Mr. Au has been an Executive Director and the Chief Financial Officer of the Company since 2005. A banker by profession, he was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. He was formerly a non-executive director of a number of leading companies including The Hongkong and Shanghai Banking Corporation Limited, MTR Corporation Limited and Hang Lung Group Limited. Currently Mr. Au is an independent non-executive director of Wheelock and Company Limited, a listed company. Within the Henderson Land Group, he is a non-executive director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, both of which are listed companies. He is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is also a member of the Court of the Hong Kong University of Science and Technology. An accountant by training, Mr Au is a Chartered Accountant as well as a Fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. Mr. Au is a director of Believegood Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

SUEN Kwok Lam, *MH*, *FHIREA*, aged 64, joined the Company in 1997 and has been an Executive Director of the Company since January 2002. He is also an executive director of Henderson Investment Limited, a listed company. He is the Vice President of Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He was the President of Hong Kong Association of Property Management Companies from 2003 to 2007. He has over 40 years' experience in property management. He was awarded the Medal of Honour by the Government of the Hong Kong Special Administrative Region in 2005.

LEE King Yue, aged 84, has been an Executive Director of the Company since 1976. He joined Henderson Development Limited, the parent company of the Company on its incorporation in 1973 and has been engaged with Chairman in property development for over 55 years. He is also an executive director of Henderson Investment Limited, a listed company. Mr. Lee is a director of Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc. and South Base Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance.

FUNG LEE Woon King, aged 72, has been an Executive Director of the Company since 1976. She joined Henderson Development Limited ("Henderson Development"), the parent company of the Company as treasurer in 1974 and has been an executive director of Henderson Development since 1979. She is also the treasurer of Henderson Development Group, Henderson Land Group and Henderson Investment Group. Madam Fung is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development, Yamina Investment Limited, Believegood Limited, Cameron Enterprise Inc. and South Base Limited which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. She is the sister of Dr. Lee Shau Kee and Mr. Lee Tat Man.

LAU Yum Chuen, Eddie, aged 64, has been an Executive Director of the Company since 1987. He has over 40 years' experience in banking, finance and investment. Mr. Lau is also an executive director of Henderson Investment Limited as well as a director of Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies.

LI Ning, *BSc, MBA*, aged 54, has been an Executive Director of the Company since 1992. He holds a B.Sc. degree from Babson College and an M.B.A. degree from the University of Southern California. Mr. Li is also a director of Hong Kong Ferry (Holdings) Company Limited, a listed company. He previously served as an executive director of Henderson Investment Limited, a listed company, until his retirement on 1 June 2010. He is the son-in-law of Dr. Lee Shau Kee, the spouse of Ms. Lee Pui Man, Margaret and the brother-in-law of Mr. Lee Ka Kit and Mr. Lee Ka Shing.

KWOK Ping Ho, Patrick, *BSc, MSc, Post-Graduate Diploma in Surveying, ACIB*, aged 58, joined the Company in 1987 and has been an Executive Director since 1993. He holds a B.Sc. (Engineering) degree, an M.Sc. (Administrative Sciences) degree and a Post-Graduate Diploma in Surveying (Real Estate Development). Mr. Kwok is an Associate Member of The Chartered Institute of Bankers of the United Kingdom and he had worked in the international banking field for more than 11 years with postings in London, Chicago, Kuala Lumpur, Singapore as well as in Hong Kong before joining the Company. He is also an executive director of Henderson Investment Limited, a listed company and a non-executive director of Henderson Sunlight Asset Management Limited, the manager of the publicly-listed Sunlight Real Estate Investment Trust.

WONG Ho Ming, Augustine, *JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)*, aged 50, joined the Company in 1996 and has been an Executive Director of the Company since September 2010. Mr. Wong is also an executive director of Henderson Investment Limited, a listed company. He is presently the General Manager of Property Development Department as well. He is a registered professional surveyor and has over 26 years' experience in property appraisal, dealing and development. He was appointed as a Justice of the Peace by the Government of the Hong Kong Special Administrative Region in 2008.

Non-executive Directors

Sir Po-shing WOO, *Hon LLD, FCIArb, FIMgt, FInstD, FHKMA,* aged 82, has been a Director of the Company since 1981 and was re-designated as Non-executive Director in 2004. He is a solicitor and a Consultant of Jackson Woo & Associates in association with Ashurst Hong Kong. He is also a director of Sun Hung Kai Properties Limited, a listed company. He previously served as a director of Henderson Investment Limited, a listed company, until his retirement on 1 June 2010. He was admitted to practice as solicitor in England and Hong Kong and is also a Fellow of The Chartered Institute of Arbitrators, The Institute of Management and The Institute of Directors of England. He was awarded Hon. LL.D. by the City University of Hong Kong and is a Fellow of the King's College of London as well as Honorary Professor of Nankai University of Tianjin. Sir Po-shing Woo became Fellow of The Hong Kong Management Association in 2000. He is also the founder of Woo Po Shing Medal in Law and Woo Po Shing Overseas Summer School Travelling Scholarship, both at The University of Hong Kong. Sir Po-shing Woo is also the founder of the Woo Po Shing Professor (Chair) of Chinese and Comparative Law in City University. Sir Po-shing Woo is a director of Henderson Development Limited which has discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the father of Mr. Woo Ka Biu, Jackson.

LEUNG Hay Man, *FRICS, FCIArb, FHKIS,* aged 76, has been a Director of the Company since 1981 and was re-designated as Non-executive Director in 2004. He is also a member of the Audit Committee of the Company. Mr. Leung is a Chartered Surveyor. He is also a director of Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and The Hong Kong and China Gas Company Limited, all of which are listed companies.

LEE Pui Ling, Angelina, *JP, LLB, FCA,* aged 62, has been a Director of the Company since 1996 and was re-designated as Non-executive Director in 2004. Mrs. Lee is a Partner of the firm of solicitors, Woo, Kwan, Lee & Lo, and is a Fellow of the Institute of Chartered Accountants in England and Wales. Mrs. Lee is active in public service and is currently a Non-executive Director of the Securities and Futures Commission and a member of its Takeover and Mergers Panel and Takeovers Appeal Committee, and a Non-executive Director of the Mandatory Provident Fund Schemes Authority. She is also a non-executive director of Cheung Kong Infrastructure Holdings Limited and Tom Group Limited as well as an independent non-executive director of Great Eagle Holdings Limited, all of which are listed companies.

LEE Tat Man, aged 73, has been a Director of the Company since 1976. He has been engaged in property development in Hong Kong for more than 35 years and is also an executive director of Henderson Investment Limited, a listed company. Mr. Lee is a director of Rimmer (Cayman) Limited, Riddick (Cayman) Limited, Hopkins (Cayman) Limited, Henderson Development Limited and Cameron Enterprise Inc. which have discloseable interests in the Company under the provisions of the Securities and Futures Ordinance. He is the brother of Dr. Lee Shau Kee and Madam Fung Lee Woon King.

WOO Ka Biu, Jackson, *MA (Oxon),* aged 48, has been the Alternate Director to Sir Po-shing Woo, Director of the Company since July 2000 and was re-designated as Non-executive Director in 2004, following the re-designation of Sir Po-shing Woo as Non-executive Director. He is a director of Kailey Group of Companies. He is also an alternate director to Sir Po-shing Woo, in the capacity of non-executive director of Sun Hung Kai Properties Limited, a listed public company. Mr. Woo was an alternate director to Sir Po-shing Woo, in the capacity of non-executive director of Henderson Investment Limited, a listed company, until 1 June 2010. He holds an MA degree in Jurisprudence from the Oxford University and is a qualified solicitor in England and Wales, Hong Kong Special Administrative Region and Australia. Mr. Woo is currently a partner of Jackson Woo & Associates in association with Ashurst Hong Kong and was a director of N M Rothschild & Sons (Hong Kong) Limited ("Rothschild"). Prior to joining Rothschild, Mr. Woo was a partner in the corporate finance department of Woo, Kwan, Lee & Lo. He is the son of Sir Po-shing Woo.

Independent Non-executive Directors

KWONG Che Keung, Gordon, *FCA*, aged 61, has been an Independent Non-executive Director of the Company since 2004. He is also the chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He graduated from The University of Hong Kong with a bachelor's degree in social sciences in 1972 and qualified as a chartered accountant in England in 1977. He was a partner of Pricewaterhouse from 1984 to 1998 and an independent member of the Council of The Stock Exchange of Hong Kong from 1992 to 1997. He is an independent non-executive director of Henderson Investment Limited, Agile Property Holdings Limited, Beijing Capital International Airport Company Limited, China Chengtong Development Group Limited, China Power International Development Limited, CITIC Telecom International Holdings Limited, COSCO International Holdings Limited, Global Digital Creations Holdings Limited, NWS Holdings Limited, OP Financial Investments Limited and Quam Limited, all of which are listed companies. Mr. Kwong previously served as an independent non-executive director of Ping An Insurance (Group) Company of China, Ltd. (listed in Hong Kong and Shanghai) for two terms of three years to June 2009 and an independent non-executive director of China Oilfield Services Limited (listed in Hong Kong and Shanghai) until 28 May 2010, Tianjin Development Holdings Limited (listed in Hong Kong) until 26 May 2010 and Frasers Property (China) Limited (listed in Hong Kong) until 14 January 2011.

Professor KO Ping Keung, *PhD, FIEEE, JP*, aged 60, has been an Independent Non-executive Director of the Company since 2004. He is also a member of the Audit Committee and Remuneration Committee of the Company. Professor Ko holds a Bachelor of Science (Honours) degree from The University of Hong Kong, a Doctor of Philosophy degree and a Master of Science degree from the University of California at Berkeley. He is an Adjunct Professor of Beijing and Tsinghua University and Emeritus Professor of Electrical & Electronic Engineering and the former Dean of the School of Engineering of The Hong Kong University of Science and Technology. He was the Vice Chairman of Electrical Engineering and Computer Science Department of the University of California at Berkeley in 1991–1993 and a member of Technical staff, Bell Labs, Holmdel, in 1982–1984. Professor Ko is an independent non-executive director of Henderson Investment Limited and China Resources Microelectronics Limited, both of which are listed companies. He also served as an independent non-executive director of China Resources Logic Limited, being a listed company, until his resignation in March 2008.

WU King Cheong, *BBS, JP*, aged 60, has been an Independent Non-executive Director of the Company since 2005. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee of the Company. Mr. Wu is the Life Honorary Chairman of the Chinese General Chamber of Commerce, the Honorary Permanent President of the Chinese Gold & Silver Exchange Society and the Permanent Honorary President of the Hong Kong Securities Association Ltd. He is an executive director of Lee Cheong Gold Dealers Limited. He is also an independent non-executive director of Yau Lee Holdings Limited, Chevalier Pacific Holdings Limited, Henderson Investment Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited, all of which are listed companies.

Senior Management

David Francis DUMIGAN, *BSc, C Eng, FICE, FHKIE, RPE*, aged 53, joined the Company in 1995 and is presently the General Manager of Project Management (1) Department. He is a Fellow Member of the Hong Kong Institution of Engineers and Institution of Civil Engineers. Mr. Dumigan has over 29 years' experience in the design and construction of major development projects in Hong Kong and mainland China.

KWOK Man Cheung, Victor, *BA (AS), B Arch (Dist), MSc (Con P Mgt), EMBA, FHKIA, MAPM, RIBA, Authorised Person (Architect), Registered Architect (HK), PRC Class 1 Registered Architect Qualification*, aged 57, joined the Company in 2005 and is presently the General Manager of Project Management (2) Department. He possesses professional qualifications of both a project manager and an architect. He holds a Bachelor of Architecture (Distinction) degree and a Master of Science in Construction Project Management degree from The University of Hong Kong, and an Executive Master of Business Administration degree from Tsinghua University. He is a Fellow Member of The Hong Kong Institute of Architects and a Member of Association of Project Management. He has over 32 years of professional experience in the property and construction industry of Hong Kong and mainland China.

LEUNG Kam Leung, *MSc, PGDMS, FHKIS, FRICS, RPS (GP)*, aged 57, joined the Company in 1997 and is presently the General Manager of Property Planning Department. He holds a Master of Science degree in International Real Estate and a Postgraduate Diploma in Management Studies. He is a Fellow Member of The Hong Kong Institute of Surveyors and The Royal Institution of Chartered Surveyors and is also a Registered Professional Surveyor. He has over 30 years' experience in land and property development. Prior to joining the Company, Mr. Leung held a Chief Estate Surveyor post in the Lands Department of the Hong Kong Government and had over 20 years' experience in government land disposal, land exchange, lease modification and premium assessment. He is currently serving on several government advisory committees.

WONG Wing Hoo, Billy, *JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE*, aged 53, joined the Company in 2006 and is presently the General Manager of Construction Department. He is a fellow member of the Institution of Civil Engineers, Hong Kong Institution of Engineers, Institution of Highways and Transportation and Hong Kong Institution of Highways and Transportation. He is also a Registered Professional Engineer under the Engineers Registration Ordinance Chapter 409. Mr. Wong was appointed as a Justice of the Peace in 2005. He served as President of Hong Kong Construction Association and Chairman of Construction Industry Training Authority, and is currently a member of Construction Industry Council, Chairman of Construction Industry Training Board, and Permanent Supervisor of Hong Kong Construction Association.

LAM Tat Man, Thomas, *MEM (UTS), DMS, EHKIM, MHIREA*, aged 51, joined the Company in 1983 and is presently the General Manager of Sales Department. He holds a Master Degree in Engineering Management from the University of Technology, Sydney, Australia and a Diploma in Management Studies from the Hong Kong Polytechnic University. He is an Ordinary Member of Hong Kong Institute of Real Estate Administrators and an Executive Member of Hong Kong Institute of Marketing. He has over 27 years' experience in property sales and marketing.

LEE Pui Man, Margaret, *BHum (Hons),* aged 50, joined the Company in 1984 and is presently the Senior General Manager of Portfolio Leasing Department. She holds a B. Hum. (Honours) degree from the University of London and has over 26 years' experience in marketing development. She is the eldest daughter of Dr. Lee Shau Kee, the spouse of Mr. Li Ning and the sister of Mr. Lee Ka Kit and Mr. Lee Ka Shing.

SIT Pak Wing, *ACIS, FHIREA,* aged 63, joined the Company in 1991 and is presently the General Manager of Portfolio Leasing Department. He is a Member of The Institute of Chartered Secretaries and Administrators, a Fellow Member of the Hong Kong Institute of Real Estate Administrators and an individual Member of The Real Estate Developers Association of Hong Kong. He has over 30 years' experience in marketing development, leasing and property management.

LIU Cheung Yuen, Timon, *BEc, FCPA, CA (Aust), FCS, FCIS,* aged 53, joined the Henderson Land Group in 2005 and is presently the Company Secretary of the Group. Mr. Liu graduated from Monash University, Australia with a bachelor's degree in Economics. He is a fellow of both the Hong Kong Institute of Certified Public Accountants and The Hong Kong Institute of Chartered Secretaries, and an associate of The Institute of Chartered Accountants in Australia. He has many years' experience in accounting, auditing, corporate finance, corporate investment and development, and company secretarial practice.

WONG Wing Kee, Christopher, *BSc (Econ), ACA,* aged 48, joined the Company in June 2007 and is presently the General Manager of Accounts Department. Mr. Wong graduated from The London School of Economics and Political Science, University of London and is an associate member of the Institute of Chartered Accountants in England & Wales. He has over 20 years of experience in accounting, auditing, investment banking and corporate finance in the United Kingdom and in Hong Kong. Prior to joining the Company, Mr. Wong was the Chief Financial Officer of Kerry Properties Limited between December 2004 and May 2007.

Accounts

Report of the Independent Auditor

KPMG

Independent auditor's report to the shareholders of Henderson Land Development Company Limited

(Incorporated in Hong Kong with limited liability)

We have audited the consolidated accounts of Henderson Land Development Company Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 163 to 260, which comprise the consolidated and company balance sheets as at 31 December 2010, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated accounts

The directors of the Company are responsible for the preparation of consolidated accounts that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated accounts based on our audit. This report is made solely to you, as a body, in accordance with section 141 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated accounts that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated accounts give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

17 March 2011

Consolidated Income Statement

for the year ended 31 December 2010

	Note	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
Turnover	5	**7,092**	14,695
Direct costs		**(3,843)**	(6,834)
		3,249	7,861
Other revenue	6	**209**	368
Other income/(expenses), net	7	**1,555**	(119)
Selling and marketing expenses		**(658)**	(870)
Administrative expenses		**(1,508)**	(2,033)
Profit from operations before changes in fair value of investment properties		**2,847**	5,207
Increase in fair value of investment properties	17(a)	**9,538**	7,156
Profit from operations after changes in fair value of investment properties		**12,385**	12,363
Finance costs	8(a)	**(970)**	(1,341)
		11,415	11,022
Share of profits less losses of associates		**2,908**	3,175
Share of profits less losses of jointly controlled entities		**2,916**	4,919
Profit before taxation	8	**17,239**	19,116
Income tax	11(a)	**(1,601)**	(1,703)
Profit for the year/period		**15,638**	17,413
Attributable to:			
Equity shareholders of the Company	12	**15,820**	15,465
Non-controlling interests		**(182)**	1,948
Profit for the year/period		**15,638**	17,413
Earnings per share – Basic and diluted	15(a)	**HK$7.32**	HK$7.20
Adjusted earnings per share	*15(b)*	***HK$2.33***	*HK$2.81*

The notes on pages 171 to 260 form part of these accounts. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year/period are set out in note 13.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2010

	Note	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
Profit for the year/period		**15,638**	17,413
Other comprehensive income for the year/period (after tax and reclassification adjustments):	14		
Exchange differences: net movement in the exchange reserve		**1,120**	(81)
Cash flow hedges: net movement in the hedging reserve		**136**	136
Available-for-sale equity securities: net movement in the fair value reserve		**175**	90
Net movement in the property revaluation reserve		**–**	(70)
Share of other comprehensive income of associates and jointly controlled entities		**335**	308
		1,766	383
Total comprehensive income for the year/period		**17,404**	17,796
Attributable to:			
Equity shareholders of the Company		**17,560**	15,855
Non-controlling interests		**(156)**	1,941
Total comprehensive income for the year/period		**17,404**	17,796

The notes on pages 171 to 260 form part of these accounts.

Balance Sheets

at 31 December 2010

	Note	The Group			The Company	
		At 31 December 2010	At 31 December 2009 (restated)	At 1 July 2008 (restated)	**At 31 December 2010**	At 31 December 2009
		HK$ million	HK$ million	HK$ million	**HK$ million**	HK$ million
Non-current assets						
Fixed assets	17	**84,068**	70,296	60,319	**–**	–
Intangible operating rights	18	**479**	508	749	**–**	–
Interest in subsidiaries	19	**–**	–	–	**103,544**	100,822
Interest in associates	20	**37,981**	36,561	34,884	**124**	420
Interest in jointly controlled entities	21	**20,947**	18,893	15,517	**193**	126
Derivative financial instruments	22	**752**	516	268	**–**	–
Other financial assets	23	**3,489**	1,919	2,164	**–**	–
Deferred tax assets	11(c)	**541**	156	129	**–**	–
		148,257	128,849	114,030	**103,861**	101,368
Current assets						
Deposits for acquisition of properties	24	**6,925**	5,894	4,840	**–**	–
Inventories	25	**60,717**	41,541	37,624	**–**	–
Trade and other receivables	26	**4,497**	7,365	5,072	**28**	27
Cash held by stakeholders		**119**	46	154	**–**	–
Cash and cash equivalents	28	**9,797**	10,525	15,675	**1**	1
		82,055	65,371	63,365	**29**	28
Assets classified as held for sale	33	**–**	196	–	**–**	–
		82,055	65,567	63,365	**29**	28
Current liabilities						
Trade and other payables	29	**5,812**	5,359	4,589	**58**	49
Bank loans and overdrafts	30	**7,516**	4,858	3,307	**–**	–
Current taxation		**733**	713	879	**–**	–
		14,061	10,930	8,775	**58**	49
Liabilities associated with assets classified as held for sale	33	**–**	39	–	**–**	–
		14,061	10,969	8,775	**58**	49
Net current assets/ (liabilities)		**67,994**	54,598	54,590	**(29)**	(21)
Total assets less current liabilities		**216,251**	183,447	168,620	**103,832**	101,347

	Note	The Group			The Company	
		At 31 December 2010	At 31 December 2009 (restated)	At 1 July 2008 (restated)	**At 31 December 2010**	At 31 December 2009
		HK$ million	HK$ million	HK$ million	**HK$ million**	HK$ million
Non-current liabilities						
Bank loans	30	**27,132**	24,157	29,007	**–**	–
Guaranteed notes	31	**6,991**	6,994	3,312	**–**	–
Amount due to a fellow subsidiary	32	**12,976**	2,210	1,872	**–**	–
Derivative financial instruments	22	**641**	557	309	**–**	–
Deferred tax liabilities	11(c)	**4,088**	2,625	1,865	**–**	–
		51,828	36,543	36,365	**–**	–
NET ASSETS		**164,423**	146,904	132,255	**103,832**	101,347
CAPITAL AND RESERVES	34					
Share capital	34(b)	**4,352**	4,294	4,294	**4,352**	4,294
Reserves		**154,686**	137,934	124,870	**99,480**	97,053
Total equity attributable to equity shareholders of the Company		**159,038**	142,228	129,164	**103,832**	101,347
Non-controlling interests		**5,385**	4,676	3,091	**–**	–
TOTAL EQUITY		**164,423**	146,904	132,255	**103,832**	101,347

Approved and authorised for issue by the Board of Directors on 17 March 2011.

Lee Shau Kee
Lee Tat Man
Directors

The notes on pages 171 to 260 form part of these accounts.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2010

	Note	Attributable to equity shareholders of the Company											
		Share capital HK$ million	Share premium HK$ million	Property revaluation reserve HK$ million	Capital redemption reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total equity HK$ million
Balance at 1 July 2008		4,294	29,782	72	20	2,935	329	(31)	45	83,750	121,196	2,966	124,162
Impact of changes in accounting policies	2(b)	–	–	14	–	–	–	–	–	7,954	7,968	125	8,093
Restated balance at 1 July 2008		4,294	29,782	86	20	2,935	329	(31)	45	91,704	129,164	3,091	132,255
Changes in equity for the period ended 31 December 2009:													
Profit for the period (restated)	2(b)	–	–	–	–	–	–	–	–	15,465	15,465	1,948	17,413
Total other comprehensive income for the period	14(c)	–	–	(70)	–	(76)	313	217	6	–	390	(7)	383
Total comprehensive income for the period		–	–	(70)	–	(76)	313	217	6	15,465	15,855	1,941	17,796
Dividend approved in respect of the previous financial year	13(b)	–	–	–	–	–	–	–	–	(1,503)	(1,503)	–	(1,503)
Dividends declared and paid in respect of the current period	13(a)	–	–	–	–	–	–	–	–	(1,288)	(1,288)	–	(1,288)
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(276)	(276)
Distribution to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(33)	(33)
Repayment to non-controlling interests, net		–	–	–	–	–	–	–	–	–	–	(47)	(47)
Restated balance at 31 December 2009 and 1 January 2010		4,294	29,782	16	20	2,859	642	186	51	104,378	142,228	4,676	146,904
Changes in equity for the year ended 31 December 2010:													
Profit for the year		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**15,820**	**15,820**	**(182)**	**15,638**
Total other comprehensive income for the year	14(c)	**–**	**–**	**–**	**–**	**1,389**	**159**	**192**	**–**	**–**	**1,740**	**26**	**1,766**
Total comprehensive income for the year		**–**	**–**	**–**	**–**	**1,389**	**159**	**192**	**–**	**15,820**	**17,560**	**(156)**	**17,404**
Transfer to other reserves		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**4**	**(4)**	**–**	**–**	**–**
Shares issued in respect of scrip dividends and warrants	34(b)	**58**	**1,345**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,403**	**–**	**1,403**
Dividend approved in respect of the previous financial period	13(b)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(1,503)**	**(1,503)**	**–**	**(1,503)**
Dividend declared and paid in respect of the current year	13(a)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(650)**	**(650)**	**–**	**(650)**
Dividends paid to non-controlling interests		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(78)**	**(78)**
Contribution from non-controlling interests, net		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**989**	**989**
Disposal of subsidiaries		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(46)**	**(46)**
Balance at 31 December 2010		**4,352**	**31,127**	**16**	**20**	**4,248**	**801**	**378**	**55**	**118,041**	**159,038**	**5,385**	**164,423**

The notes on pages 171 to 260 form part of these accounts.

Consolidated Cash Flow Statement

for the year ended 31 December 2010

	Note	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
Operating activities			
Profit before taxation		**17,239**	19,116
Adjustments for:			
– Interest income		**(177)**	(319)
– Dividend income from investments in available-for-sale equity securities		**(43)**	(49)
– Net gain on disposal of fixed assets		**(272)**	(72)
– Excess of interest in fair value of the acquiree's identifiable assets over cost of business combination	7 & 35(a)	**(22)**	–
– Impairment of goodwill on acquisition		**–**	3
– Provision on inventories		**4**	34
– Impairment loss for trade and other receivables, net		**112**	56
– Net gain on disposal of subsidiaries	7 & 35(b)	**(1,203)**	(48)
– Gain on disposal of an associate	7 & 35(a)	**(37)**	–
– Gain on sale of listed investments		**(90)**	(37)
– Impairment loss on available-for-sale equity securities		**–**	73
– Increase in fair value of investment properties		**(9,538)**	(7,156)
– Finance costs		**970**	1,341
– Amortisation and depreciation		**175**	281
– Share of profits less losses of associates		**(2,908)**	(3,175)
– Share of profits less losses of jointly controlled entities		**(2,916)**	(4,919)
– Net foreign exchange loss/(gain)		**12**	(5)
Operating profit before changes in working capital		**1,306**	5,124
Decrease/(increase) in instalments receivable		**3,417**	(2,625)
Decrease in long term receivable		**12**	33
Increase in deposits for acquisition of properties		**(860)**	(1,157)
Increase in inventories (other than those acquired through purchase of subsidiaries and transfers to/from investment properties)		**(19,418)**	(6,181)
(Increase)/decrease in debtors, prepayments and deposits		**(1,010)**	206
(Increase)/decrease in gross amount due from customers for contract work		**(5)**	38
(Increase)/decrease in cash held by stakeholders		**(73)**	108
(Decrease)/increase in creditors and accrued expenses		**(514)**	1,477
Increase in gross amount due to customers for contract work		**1**	–
Increase in rental and other deposits		**169**	174
Increase/(decrease) in forward sales deposits received		**350**	(771)
Cash used in operations		**(16,625)**	(3,574)

	Note	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
Interest received		**38**	51
Tax paid			
– Hong Kong		**(612)**	(927)
– Outside Hong Kong		**(83)**	(290)
Net cash used in operating activities		**(17,282)**	(4,740)
Investing activities			
Additions to fixed assets		**(377)**	(736)
Additions to intangible operating rights		**–**	(7)
Proceeds from disposal of fixed assets		**520**	787
Repayment from/(advances to) associates		**174**	(53)
Advances to jointly controlled entities		**(605)**	(763)
Additional investments in jointly controlled entities		**–**	(13)
Payment for purchase of available-for-sale equity securities		**(157)**	(20)
Proceeds from sale of available-for-sale equity securities		**239**	170
Acquisition of subsidiaries	35(a)	**(744)**	1
Proceeds from disposal of subsidiaries	35(b)	**125**	18
Proceeds from disposal of a subsidiary in previous period		**42**	–
Additional investments in subsidiaries		**(4)**	(24)
Interest received		**122**	278
Dividends received from associates		**1,107**	1,795
Dividends received from jointly controlled entities		**1,050**	2,345
Distribution from available-for-sale equity securities		**–**	6
Dividends received from available-for-sale equity securities		**43**	49
Net cash generated from investing activities		**1,535**	3,833

	Note	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
Financing activities			
Advance from/(repayment to) non-controlling interests, net		**989**	(47)
Proceeds from new bank loans		**11,776**	20,040
Repayment of bank loans		**(6,356)**	(23,135)
Proceeds from issuance of guaranteed notes		**–**	3,846
Proceeds from issue of shares, net		**5**	–
Increase in amount due to a fellow subsidiary		**10,756**	338
Interest and other borrowing costs paid		**(1,430)**	(2,051)
Dividends paid to equity shareholders of the Company		**(755)**	(2,791)
Distribution to non-controlling interests		**–**	(33)
Dividends paid to non-controlling interests		**(78)**	(276)
Net cash generated from/(used in) financing activities		**14,907**	(4,109)
Net decrease in cash and cash equivalents		**(840)**	(5,016)
Cash and cash equivalents at 1 January 2010/1 July 2008		**10,495**	15,583
Effect of foreign exchange rate changes		**97**	(72)
Cash and cash equivalents at 31 December 2010/2009	28	**9,752**	10,495

The notes on pages 171 to 260 form part of these accounts.

1 General information

Henderson Land Development Company Limited ("the Company") is incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the Company's registered office and principal place of business is 72-76/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong.

The principal activity of the Company is investment holding and the principal activities of its subsidiaries are property development and investment, construction, infrastructure, hotel operation and management, department store operation and management, finance, project management, investment holding and property management.

2 Significant accounting policies

(a) Statement of compliance

These accounts have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These accounts also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (collectively referred to as "the Group") is set out below.

(b) Changes in accounting policies

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and two new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the accounts of the Group:

HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKFRS 3 (Revised)	Business combinations
HKFRS 7 (Amendments)	Financial instruments: Disclosures
HKFRS 8	Operating segments
HKFRSs (Amendments 2008)	Improvements to HKFRSs (2008)
HKFRSs (Amendments 2009)	Improvements to HKFRSs (2009)
HK (Int) 5	Presentation of financial statements – Classification by the borrower of a term loan that contains a repayment on demand clause
HK(IFRIC) – Int 15	Agreements for the construction of real estate

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period, with the exception of the amendments to HKAS 12, *Income taxes*, in respect of the recognition of deferred tax on investment properties carried at fair value under HKAS 40, *Investment property*. The amendments are effective for annual periods beginning on or after 1 January 2012, but as permitted by the amendments, the Group has decided to adopt the amendments early.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(i) Early adoption of the amendments to HKAS 12, Income taxes

The change in policy arising from the amendments to HKAS 12 is the only change which has had a material impact on the current and comparative periods. As a result of this change in policy, the Group now measures any deferred tax liability in respect of its investment properties in Hong Kong with reference to the tax liability that would arise if the properties were disposed of at their carrying amounts at the balance sheet date. Previously, where these properties were held under leasehold interests, deferred tax was generally measured using the tax rate that would apply as a result of recovery of the asset's value through use.

This change in policy has been applied retrospectively by restating the opening balances at 1 July 2008 and 1 January 2010, with consequential adjustments to comparatives for the period ended 31 December 2009. This has resulted in a reduction in the amount of deferred tax provided on valuation gain as follows:

	As previously reported HK$ million	Reclassification due to cancelled property sale transactions (Note 41) HK$ million	Effect of adoption of amendments to HKAS 12 HK$ million	As restated HK$ million
Consolidated income statement for the period ended 31 December 2009:				
Other income/(expenses), net *	(227)	105	3	(119)
Share of profits less losses of associates	3,074	–	101	3,175
Share of profits less losses of jointly controlled entities	4,363	–	556	4,919
Income tax	(2,356)	–	653	(1,703)
Profit for the period	16,100	–	1,313	17,413
Attributable to:				
Equity shareholders of the Company	14,320	–	1,145	15,465
Non-controlling interests	1,780	–	168	1,948
Earnings per share – Basic and diluted	HK$6.67	–	HK$0.53	HK$7.20
Consolidated balance sheet as at 31 December 2009:				
Interest in associates	35,569	–	992	36,561
Interest in jointly controlled entities	16,711	–	2,182	18,893
Deferred tax liabilities	(8,845)	–	6,220	(2,625)
Non-controlling interests	(4,383)	–	(293)	(4,676)
Retained profits	95,279	–	9,099	104,378
Property revaluation reserve	14	–	2	16
Consolidated balance sheet as at 1 July 2008:				
Interest in associates	33,993	–	891	34,884
Interest in jointly controlled entities	13,891	–	1,626	15,517
Deferred tax liabilities	(7,441)	–	5,576	(1,865)
Non-controlling interests	(2,966)	–	(125)	(3,091)
Retained profits	83,750	–	7,954	91,704
Property revaluation reserve	72	–	14	86

* *The amount was reported separately as "other net income" of HK$56 million and "other operating expenses/(income), net" of HK$283 million in the consolidated accounts for the period ended 31 December 2009.*

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) Other changes in accounting policies as a result of developments in HKFRSs

The adoption of HKAS 23 (Revised), HK(IFRIC) – Int 15 and HK (Int) 5 have no material impact on these accounts as the amendments and interpretations are consistent with policies already adopted by the Group. The impact of the remainder of the above developments on these accounts is as follows:

(i) HKAS 1 (Revised), ***Presentation of financial statements***

As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the year, or otherwise in a new primary statement, the consolidated statement of comprehensive income. The new format for the consolidated statement of comprehensive income and the consolidated statement of changes in equity have been adopted in these accounts and corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any of the periods presented.

(ii) HKAS 27 (Revised), ***Consolidated and separate financial statements***

HKAS 27 (Revised) has removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2010 all dividends receivable from subsidiaries, whether out of pre- or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising the dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions, this new policy is applied prospectively to any dividends receivable in the current year or future periods and previous periods have not been restated.

HKAS 27 (Revised) also provides that when changes in a parent's ownership interest in a subsidiary do not result in a loss of control, this will be accounted for as equity transactions which will no longer result in goodwill, or gain or loss. When the changes result in a parent losing control over a subsidiary, this will be accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any remaining interest would be recognised at fair value as if reacquired and the difference between the fair value and the carrying amount is recognised in profit or loss. This new policy is applied prospectively in accordance with the transitional provisions and there has been no effect on reported profit or loss and net assets for the year.

(iii) HKFRS 3 (Revised), ***Business combinations***

As a result of the adoption of HKFRS 3 (Revised), where a business combination is achieved in stages (other than that for existing subsidiary), the existing interest in the acquiree should be re-measured at fair value at each acquisition date and any resulting gain or loss is recognised in profit or loss. Previously, such gain or loss would be offset against goodwill. HKFRS 3 (Revised) has been applied prospectively for the transactions after 1 January 2010 and the adoption of HKFRS 3 (Revised) had no significant impact on the accounts of the Group and the Company for the year ended 31 December 2010.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) Other changes in accounting policies as a result of developments in HKFRSs (continued)

(iv) HKFRS 7 (Amendments), *Financial instruments: Disclosures*

As a result of the adoption of the amendments to HKFRS 7, the accounts include expanded disclosures in note 4(f)(i) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data. The Group has taken advantage of the transitional provisions set out in the amendments to HKFRS 7, under which comparative information for the newly required disclosures about the fair value measurements of financial instruments has not been provided.

(v) HKFRS 8, *Operating segments*

HKFRS 8 supersedes HKAS 14, *Segment reporting* and requires segment disclosure to be based on the way the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's accounts into segments based on related activities and on geographical areas. The adoption of HKFRS 8 has resulted in the presentation of segment information in a manner that is more consistent with internal reporting provided to the Group's most senior executive management. Corresponding amounts have been provided on a basis consistent with the revised segment information.

(vi) Improvements to HKFRSs (2008)

Improvements to HKFRSs (2008) contain amendments to HKAS 40, *Investment property* under which investment property which is under construction will be carried at fair value at the earlier of when the fair value becomes reliably measurable and the date of completion of the construction of the property. Any gain or loss will be recognised in profit or loss, consistent with the policy adopted for all other investment properties carried at fair value. Previously such property was carried at cost until construction was completed, at which time it was fair valued with any gain or loss being recognised in profit or loss.

The amendments to HKAS 40 are applied prospectively in accordance with the transitional provisions and the adoption of which results in the increase in the profit attributable to equity shareholders of the Company for the year ended 31 December 2010 by HK$91 million, being the increase in fair value (net of deferred tax and non-controlling interests) of the investment properties under development previously carried at cost. Previous periods have not been restated.

2 Significant accounting policies (continued)

(b) Changes in accounting policies (continued)

(ii) Other changes in accounting policies as a result of developments in HKFRSs (continued)

(vii) Improvements to HKFRSs (2009)

Improvements to HKFRSs (2009) contain amendments to HKAS 17, *Leases* which removes the guidance that a lease of land with an indefinite economic life is normally classified as an operating lease unless at the end of the lease term title is expected to pass to the lessee. Under the amendments, a land lease with a lease term of several decades or longer may be classified as a finance lease, even if at the end of the lease term title will not pass to the lessee, because in such arrangements substantially all risks and rewards are transferred to the lessee and the present value of the residual value of the leased asset is considered negligible.

This new policy is applied retrospectively and as a result of the amendments, certain leases of land with carrying amount of HK$976 million at 31 December 2009 and HK$880 million at 31 December 2010 have been reclassified as finance leases and included under "Fixed assets" (previously included under "Interests in leasehold land held for own use under operating leases"). The reclassification has no effect on reported profit or loss or net assets for any of the periods presented.

Up to the date of issue of these accounts, except the amendments to HKAS 12, *Income taxes*, the HKICPA has issued a number of amendments, new standards and new interpretations which are not yet effective for the year ended 31 December 2010 and which have not been adopted in these accounts.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

(c) Change of financial year end date

The Company changed its financial year end date from 30 June to 31 December in the last financial period. The consolidated accounts now presented cover a period of twelve months from 1 January 2010 to 31 December 2010. Accordingly, the comparative figures (which cover a period of eighteen months from 1 July 2008 to 31 December 2009) for the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement and related notes are not comparable with those of the current year.

(d) Basis of preparation of the accounts

The consolidated accounts for the year ended 31 December 2010 comprise the Company and its subsidiaries and the Group's interests in associates and jointly controlled entities.

The measurement basis used in the preparation of the accounts is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

– financial instruments classified as available-for-sale equity securities (see note 2(h));

– derivative financial instruments (see note 2(i)); and

– investment properties (see note 2(k)(i)).

2 Significant accounting policies (continued)

(d) Basis of preparation of the accounts (continued)

Non-current assets and disposal groups held for sale are stated at the lower of their carrying amount and fair value less costs to sell (see note 2(ab)).

The preparation of accounts in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the accounts and major sources of estimation uncertainty are discussed in note 3.

(e) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated accounts from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated accounts. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests (previously known as “minority interests”) represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary’s net identifiable assets.

Non-controlling interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year/ period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

2 Significant accounting policies (continued)

(e) Subsidiaries and non-controlling interests (continued)

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, where appropriate, the cost on initial recognition of an investment in an associate or a jointly controlled entity (see note 2(f)).

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(o)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(ab)).

(f) Associates and jointly controlled entities

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in financial and operating policy decisions.

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or the Company and other parties, where the contractual arrangement establishes that the Group or the Company and one or more of the other parties share joint control over the economic activity of the entity.

An investment in an associate or a jointly controlled entity is accounted for in the consolidated accounts under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(ab)). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post-acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see notes 2(g) and 2(o)). Any excess of acquisition-date fair value over cost, the Group's share of the post-acquisition post-tax results of the investees and any impairment losses for the year/period are recognised in the consolidated income statement, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the jointly controlled entity, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investees. For this purpose, the Group's interest is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate or the jointly controlled entity.

Unrealised profits and losses resulting from transactions between the Group and its associates and jointly controlled entities are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

2 Significant accounting policies (continued)

(f) Associates and jointly controlled entities (continued)

When the Group ceases to have significant influence over an associate or joint control over a jointly controlled entity, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see note 2(h)) or, where appropriate, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

In the Company's balance sheet, its investments in associates and jointly controlled entities are stated at cost less impairment losses (see note 2(o)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(ab)).

(g) Goodwill

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(o)).

On disposal of a cash-generating unit during the year/period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(h) Other investments in equity securities

The Group's policies for investments in equity securities, other than investments in subsidiaries, associates and jointly controlled entities, are as follows:

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs. These investments are subsequently accounted for as follows, depending on their classification:

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(o)).

2 Significant accounting policies (continued)

(h) Other investments in equity securities (continued)

Investments in equity securities which do not fall into the above category are classified as available-for-sale equity securities. At each balance sheet date the fair value is re-measured, with any resulting gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(y)(viii). When these investments are derecognised or impaired (see note 2(o)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(i) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is re-measured. The gain or loss on re-measurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2(j)).

(j) Cash flow hedges

Where a derivative financial instrument is designated as a hedge of the variability in cash flows of a recognised asset or liability or a highly probable forecast transaction, the effective portion of any gains or losses on re-measurement of the derivative financial instrument to fair value are recognised in other comprehensive income and accumulated separately in equity in the hedging reserve. The ineffective portion of any gain or loss is recognised immediately in profit or loss. The change in fair value of the hedging instrument that is recognised directly in equity is reclassified from equity to profit or loss when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, terminated or exercised, or the entity revokes designation of the hedge relationship but the hedged forecast transaction is still expected to occur, the cumulative gain or loss at that point in time remains in equity until the transaction occurs and it is reclassified from equity to profit or loss in the same period or periods during which the hedged forecast transaction affects profit or loss. If the hedged transaction is no longer expected to take place, the cumulative unrealised gain or loss is reclassified from equity to profit or loss immediately.

(k) Fixed assets

(i) Investment properties and investment properties under development

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(n)) to earn rental income and/or for capital appreciation, but not for sale in the ordinary course of business, use in the production of supply of goods or services or for administrative purposes. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

The cost of self-constructed investment property includes borrowing costs capitalised (see note 2(aa)), aggregate cost of development, materials and supplies, wages and other direct expenses.

Investment properties are stated in the balance sheet at fair value, unless they are still in the course of construction or development at the balance sheet date and their fair value cannot be reliably determined at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in note 2(y)(ii).

2 Significant accounting policies (continued)

(k) Fixed assets (continued)

(i) Investment properties and investment properties under development (continued)

When the Group holds a property interest under an operating lease to earn rental income and/or for capital appreciation, the interest is classified and accounted for as an investment property on a property-by-property basis. Any such property interest which has been classified as an investment property is accounted for as if it were held under a finance lease (see note 2(n)(i)), and the same accounting policies are applied to that interest as are applied to other investment properties leased under finance leases. Lease payments are accounted for as described in note 2(n).

(ii) Other property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation (see note 2(l)) and impairment losses (see note 2(o)):

– hotel properties;

– other land and buildings; and

– other items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the aggregate cost of development, materials and supplies, wages, the initial estimate (where relevant) of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of borrowing costs capitalised (see note 2(aa)) and other direct expenses capitalised.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the property revaluation reserve to retained profits and is not reclassified to profit or loss.

(l) Depreciation of fixed assets

(i) Investment properties and investment properties under development

No depreciation is provided on investment properties and investment properties under development.

(ii) Hotel properties, leasehold land classified as held under finance leases and other land and buildings

Depreciation is provided on the cost of the leasehold land of properties over the unexpired terms of the leases. Costs of buildings thereon are depreciated on a straight-line basis over the unexpired terms of the respective leases or 40 years if shorter.

(iii) Properties under development for own use

No depreciation is provided until such time the relevant assets are completed and ready for use.

2 Significant accounting policies (continued)

(l) Depreciation of fixed assets (continued)

(iv) Other property, plant and equipment

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value (if any), using the straight-line method over their estimated useful lives as follows:

Leasehold improvements, furniture and fixtures	5 years
Others	2 to 10 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(m) Intangible operating rights

Intangible operating rights are stated at cost less accumulated amortisation and impairment losses (see note 2(o)).

Amortisation is provided to write off the cost of intangible operating rights using the straight-line method over their operating periods as follows:

Toll bridge operating right	29 years
Toll highway operating right	25 years

Intangible operating rights are derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the assets. Gains or losses arising from derecognition of an intangible operating right are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(n) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

– property held under operating leases that would otherwise meet the definition of an investment property is classified as an investment property on a property-by-property basis and, if classified as investment property, is accounted for as if it were held under a finance lease (see note 2(k)(i)); and

2 Significant accounting policies (continued)

(n) Leased assets (continued)

(i) Classification of assets leased to the Group (continued)

– land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee, or at the date of construction of those buildings, if later.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property (see note 2(k)(i)) or is held for development for sale (see note 2(p)(ii)).

(o) Impairment of assets

(i) Impairment of investments in equity securities and other receivables

Investments in equity securities (other than investments in subsidiaries: see note 2(o)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale equity securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(i) Impairment of investments in equity securities and other receivables (continued)

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of the asset) where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For investments in associates and jointly controlled entities recognised using the equity method (see note 2(f)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with note 2(o)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(o)(ii).

– For available-for-sale equity securities, the cumulative loss that had been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in other comprehensive income.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than properties carried at revalued amounts);

– intangible operating rights;

– pre-paid interests in leasehold land classified as being held for own use under a finance lease;

– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 2(ab)); and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently.

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units), and then to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period or periods in which the reversals are recognised.

2 Significant accounting policies (continued)

(o) Impairment of assets (continued)

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the aforementioned interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(o)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sale equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial period to which such interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the financial period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

(p) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost and net realisable value are determined as follows:

(i) Leasehold land

The cost of leasehold land, which is held for development for sale, represents the cost of acquisition and the premium, if any, payable to the relevant government authorities. Net realisable value is determined by reference to management estimates based on prevailing market conditions.

(ii) Property held for and under development for sale

The cost of properties held for and under development for sale comprises specifically identified cost, including borrowing costs capitalised (see note 2(aa)), aggregate cost of development, materials and supplies, wages and other direct expenses capitalised. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to completion and costs to be incurred in selling the property.

(iii) Completed properties for sale

Cost is determined by apportionment of the total land and development costs for that development project, attributable to the unsold properties. Net realisable value represents the estimated selling price, based on prevailing market conditions, less estimated costs to be incurred in selling the property.

(iv) Retail, catering stocks and trading goods

Cost is calculated using the weighted average cost formula and comprises all costs of purchase. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

2 Significant accounting policies (continued)

(q) Construction contracts

Construction contracts are contracts specifically negotiated with a customer for the construction of an asset or a group of assets, where the customer is able to specify the major structural elements of the design. The accounting policy for contract revenue is set out in note 2(y)(iv). When the outcome of a construction contract can be estimated reliably, contract costs are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

Construction contracts in progress at the balance sheet date are recorded in the balance sheet at the net amount of costs incurred plus recognised profits less recognised losses and progress billings, and are presented in the balance sheet as the "Gross amount due from customers for contract work" (as an asset) or the "Gross amount due to customers for contract work" (as a liability), as applicable. Progress billings not yet paid by the customers are included in the balance sheet under "Debtors, prepayments and deposits".

(r) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(o)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(o)).

(s) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(t) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(x)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(u) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(v) Employee benefits

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2 Significant accounting policies (continued)

(w) Income tax

(i) Income tax for the year/period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

(ii) Current tax is the expected tax payable on the taxable income for the year/period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in note 2(k)(i), the amount of deferred tax recognised is measured using the tax rates that would apply on sales of those assets at their carrying value at the balance sheet date unless the property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 Significant accounting policies (continued)

(w) Income tax (continued)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(x) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(x)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee; and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised less accumulated amortisation.

2 Significant accounting policies (continued)

(x) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of properties

Revenue arising from the sale of properties held for sale is recognised upon the later of the signing of the sale and purchase agreement and the issue of an occupation permit/a completion certificate by the relevant government authorities, which is taken to be the point in time when the risks and rewards of ownership of the property have passed to the buyer. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under forward sales deposits received.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies (continued)

(y) Revenue recognition (continued)

(iv) Contract revenue

When the outcome of a construction contract can be estimated reliably:

- revenue from a fixed price contract is recognised using the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for the contract; and

- revenue from a cost plus contract is recognised by reference to the recoverable costs incurred during the period plus an appropriate proportion of the total fee, measured by reference to the proportion that the costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred where it is probable that such costs will be recoverable.

(v) Toll fee income

Toll fee income is recognised when services are provided.

(vi) Hotel operation

Income from hotel operation is recognised when services are provided.

(vii) Sale of goods

Sale of goods from department store operations is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership.

(viii) Dividends

- Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

- Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

(z) Translation of foreign currencies

Foreign currency transactions during the year/period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

2 Significant accounting policies (continued)

(z) Translation of foreign currencies (continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items, including goodwill arising on consolidation of foreign operations acquired on or after 1 July 2005, are translated into Hong Kong dollars at the closing foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1 July 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(aa) Borrowing costs

Borrowing costs that are directly attributable to the construction of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(ab) Non-current assets held for sale

A non-current asset (or disposal group) is classified as held for sale if it is highly probable that its carrying amount will be recovered through a sale transaction rather than through continuing use and the asset (or disposal group) is available for sale in its present condition. A disposal group is a group of assets to be disposed of together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the above criteria for classification as held for sale are met, regardless of whether the Group will retain a non-controlling interest in the subsidiary after the sale.

Immediately before classification as held for sale, the measurement of the non-current assets (and all individual assets and liabilities in a disposal group) is brought up-to-date in accordance with the accounting policies before the classification. Then, on initial classification as held for sale and until the completion of the disposal, the non-current assets (except for certain assets as explained below), or disposal groups, are recognised at the lower of their carrying amount and fair value less costs to sell. The principal exceptions to this measurement policy, so far as the accounts of the Group are concerned, are deferred tax assets, financial assets (other than investments in subsidiaries, associates and jointly controlled entities) and investment properties. These assets, even if held for sale, would continue to be measured in accordance with the policies set out elsewhere in note 2.

2 Significant accounting policies (continued)

(ab) Non-current assets held for sale (continued)

Impairment losses on initial classification as held for sale, and on subsequent re-measurement while held for sale, are recognised in profit or loss. As long as a non-current asset is classified as held for sale, or is included in a disposal group that is classified as held for sale, the non-current asset is not depreciated or amortised. Equity accounting of investment in an associate or a jointly controlled entity ceased once it is classified as held for sale.

(ac) Related parties

For the purposes of these accounts, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(ad) Segment reporting

Operating segments, and the amounts of each segment item reported in the accounts, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Accounting estimates and judgements

The key sources of estimation uncertainty and critical accounting judgements in applying the Group's accounting policies are described below.

(a) Valuation of investment properties and investment properties under development

As described in note 17, investment properties and investment properties under development are stated at fair value based on the valuation performed by an independent firm of professional valuers.

In determining the fair value of investment properties, the valuers have based on a method of valuation which involves, inter alia, certain estimates including current market rents for similar properties in the same location and condition, appropriate discount rates and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the current market condition.

Investment properties under development are valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

(b) Impairment of non-current assets

If circumstances indicate that the carrying amounts of fixed assets (other than investment properties) and intangible operating rights may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(c) Write-down of inventories for property development

Management performs a regular review on the carrying amounts of inventories for property development. Based on management's review, write-down of inventories for property development will be made when the estimated net realisable value has declined below the carrying amount.

In determining the net realisable value of completed properties for sale, management refers to prevailing market data such as recent sales transactions, market survey reports available from independent property valuers and internally available information, as bases for evaluation.

In respect of leasehold land held for development for sale and properties held for/under development for sale, the estimate of net realisable value requires the application of a risk-adjusted discount rate to the estimated future cash flows to be derived from these properties. These estimates require judgement as to the anticipated sale prices by reference to recent sales transactions in nearby locations, rate of new property sales, marketing costs (including price discounts required to stimulate sales) and the estimated costs to completion of properties, the legal and regulatory framework and general market conditions.

(d) Recognition of deferred tax assets

At 31 December 2010, the Group has recognised deferred tax assets in relation to the unused tax losses as set out in note 11(c). The realisability of deferred tax assets mainly depends on whether it is probable that future taxable profits will be available against which related tax benefits under the deferred tax assets can be utilised. In cases where the actual future taxable profits generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

4 Financial risk management and fair values

Exposure to credit, liquidity, interest rate, foreign currency and equity price risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to bank deposits, derivative financial instruments entered into for hedging purposes, instalments receivable, rental and other trade receivables. The Group maintains a defined credit policy and the exposures to these credit risks are monitored on an ongoing basis.

Cash is deposited with financial institutions with sound credit ratings and the Group has exposure limit to any single financial institution. Transactions involving derivative financial instruments are also executed with counterparties of sound credit standing. Given their high credit ratings, management does not expect any of these financial institutions will fail to meet their obligations.

Regular review and follow-up actions are carried out on overdue amounts of instalments receivable from sale of properties which enable management to assess their recoverability and to minimise exposure to credit risk. In respect of rental income from leasing properties, monthly rents are received in advance and sufficient rental deposits are held to cover potential exposure to credit risk. Regarding toll income receivable from the toll bridge, the amount has been collected on behalf of the Group by 杭州市「四自」工程道路綜合收費管理處 (Hangzhou City "Sizi" Engineering & Highway General Toll Fee Administration Office), a relevant government body in Hangzhou, mainland China (the "Hangzhou Government Body") in accordance with the terms of an agreement entered into between the Group and the Hangzhou Government Body. For other trade receivables, credit terms given to customers are generally based on the financial strength and repayment history of each customer. As such, the Group does not obtain collateral from its customers. An ageing analysis of the receivables is prepared on a regular basis and is closely monitored to minimise any credit risk associated with the receivables. Adequate allowance for impairment losses have been made for estimated irrecoverable amounts.

The Group has no concentrations of credit risk in view of its large number of customers. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets. Except for the guarantees given by the Group as disclosed in note 38, the Group does not provide any other guarantees which expose the Group to credit risk.

Further quantitative disclosures in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 26.

(b) Liquidity risk

The treasury function of the Group is arranged centrally to cover expected cash demands. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed funding lines from major financial institutions to meet its liquidity requirements in the short and longer term.

4 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities and derivative financial liabilities, which are based on contractual undiscounted cashflows (including interest payments computed using contractual rates or, if floating, based on rates prevailing at the balance sheet date) and the earliest date on which the Group and the Company can be required to pay:

The Group

	2010 Contractual undiscounted cash outflow						2009 Contractual undiscounted cash outflow					
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Balance sheet carrying amount HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Balance sheet carrying amount HK$ million
Bank loans and overdrafts	8,140	16,867	9,431	2,278	36,716	34,648	5,272	5,985	18,563	299	30,119	29,037
Guaranteed notes	403	403	2,368	6,943	10,117	6,991	404	404	2,443	7,282	10,533	6,994
Amount due to a fellow subsidiary	42	12,976	–	–	13,018	12,976	9	2,210	–	–	2,219	2,210
Creditors and accrued expenses	4,207	64	–	–	4,271	4,271	4,331	64	–	–	4,395	4,395
Rental and other deposits	409	241	166	92	908	908	384	255	86	5	730	730
Amounts due to associates	107	–	–	–	107	107	46	–	–	–	46	46
Amounts due to jointly controlled entities	115	–	–	–	115	115	126	–	–	–	126	126
	13,423	30,551	11,965	9,313	65,252	60,016	10,572	8,918	21,092	7,586	48,168	43,538

	2010 Contractual undiscounted cash inflow/(outflow)					2009 Contractual undiscounted cash inflow/(outflow)				
	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million	Within 1 year or on demand HK$ million	More than 1 year but less than 2 years HK$ million	More than 2 years but less than 5 years HK$ million	More than 5 years HK$ million	Total HK$ million
Derivative settled net:										
Interest rate swap contracts held as cash flow hedging instruments	(187)	(191)	(571)	(1,299)	(2,248)	(121)	(118)	(363)	(823)	(1,425)
Derivative settled gross:										
Cross currency interest rate swap contracts held as cash flow hedging instruments:										
– outflow	(443)	(445)	(3,540)	(7,861)	(12,289)	(852)	(443)	(3,662)	(8,181)	(13,138)
– inflow	439	440	3,585	7,776	12,240	837	440	3,676	8,129	13,082

4 Financial risk management and fair values (continued)

(b) Liquidity risk (continued)

The Company

	2010		2009	
	Contractual undiscounted cash outflow		Contractual undiscounted cash outflow	
	Within 1 year or on demand HK$ million	Balance sheet carrying amount HK$ million	Within 1 year or on demand HK$ million	Balance sheet carrying amount HK$ million
Creditors and accrued expenses	**14**	**14**	12	12
Amounts due to associates	**30**	**30**	10	10
Amounts due to jointly controlled entities	**14**	**14**	27	27
	58	**58**	49	49

(c) Interest rate risk

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowings which predominantly bear floating interest rates. The Group monitors closely its interest rate exposure and the level of fixed rate and floating rate borrowings and considers hedging significant interest rate exposure should the need arise.

(i) Hedging

Cross currency interest rate swap contracts have been entered into with certain counterparty banks to enable the Group to secure a fixed interest rate level in relation to the Hong Kong dollar funding resulting from the conversion of the principal amounts of the guaranteed notes (see note 31) and the bank borrowings denominated in United States dollars into Hong Kong dollars. As a result, the Group hedges against the interest rate risk which may arise during the periods (i) between the issuance date and the maturity date in respect of the entire amount of each tranche of the guaranteed notes due 2014-2022 denominated in United States dollars ("US$") and Pound Sterling ("£") with aggregate principal amounts of US$325 million (2009: US$325 million) and £50 million (2009: £50 million) (see note 31) at 31 December 2010; (ii) between the issuance date and the maturity date in respect of the entire amount of the guaranteed notes due 2019 denominated in United States dollars with aggregate principal amount of US$500 million (2009: US$500 million) (see note 31) at 31 December 2010; and (iii) between the drawdown dates and repayment dates in respect of the entire amounts of the bank borrowings denominated in United States dollars with an aggregate amount of US$148 million (2009: US$199 million) at 31 December 2010.

Interest rate swap contracts have also been entered into with certain counterparty banks to hedge against the interest rate risk which may arise during the periods between the drawdown dates and the repayment dates in respect of certain bank borrowings denominated in Hong Kong dollars with an aggregate amount of HK$7,100 million (2009: HK$5,500 million) at 31 December 2010.

4 Financial risk management and fair values (continued)

(c) Interest rate risk (continued)

(i) Hedging (continued)

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to these guaranteed notes and bank borrowings.

The swap contracts will mature between 18 September 2013 and 22 July 2025 (2009: 8 September 2010 and 13 June 2024) matching the maturity of the related guaranteed notes and the repayment dates of the bank borrowings and have fixed swap interest rates ranging from 2.59% to 5.735% (2009: 0.435% to 5.735%) per annum. The fair value of such swap contracts entered into by the Group at 31 December 2010 amounted to HK$752 million (2009: HK$516 million) (derivative financial assets) and HK$641 million (2009: HK$569 million) (derivative financial liabilities), respectively. These amounts are recognised as derivative financial instruments at 31 December 2009 and 2010 (see note 22).

(ii) Interest rate profile

The following table details the interest rate profile of the Group's bank loans and overdrafts, and guaranteed notes at the balance sheet date, after taking into account the effect of swap contracts designated as cash flow hedging instruments (see (i) above).

	2010		
	Fixed/floating	**Effective interest rate**	**Amount HK$ million**
Bank loans and overdrafts	**Floating**	**2.06%**	**25,659**
Bank loans	**Fixed**	**4.15%**	**8,989**
Guaranteed notes	**Fixed**	**5.21%**	**6,991**

	2009		
	Fixed/floating	Effective interest rate	Amount HK$ million
Bank loans and overdrafts	Floating	1.78%	20,919
Bank loans	Fixed	3.90%	8,118
Guaranteed notes	Fixed	5.21%	6,994

(iii) Sensitivity analysis

Assuming that the interest rates had increased/decreased by not more than 100 basis points (2009: 100 basis points) at 31 December 2010 and the changes had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date, with all other variables held constant, the impact on the Group's profit after tax and total equity attributable to equity shareholders of the Company is not expected to be material.

4 Financial risk management and fair values (continued)

(d) Foreign currency risk

The Group owns assets and conducts its businesses primarily in Hong Kong with its cash flows substantially denominated in Hong Kong dollars. The Group reports its results in Hong Kong dollars.

The Group's primary foreign currency exposure arises from its property development and investment activities in mainland China, as the functional currency of these operations is Renminbi. Where appropriate and cost efficient, the Group seeks to finance these investments by Renminbi borrowings with reference to the future Renminbi funding requirements from the investments and related returns.

The Group is also exposed to foreign currency risk in respect of cash deposits denominated in United States dollars, Singapore dollars, Euros and Japanese Yen. At 31 December 2010, cash deposits denominated in United States dollars amounted to US$537 million (2009: US$594 million). The Group does not expect that there will be any significant currency risk associated with such cash deposits given that the Hong Kong dollar is pegged to the United States dollar. For cash deposits denominated in Singapore dollars, Euros and Japanese Yen, since the balances are insignificant, the Group considers the exposure to currency risk to be low.

(i) Hedging

The foreign currency risk attributable to the guaranteed notes (see note 31) and the bank borrowings denominated in United States dollars are being hedged by way of the cross currency interest rate swap contracts which were entered into between the Group and certain counterparty banks, as a result of which the principal amounts of the guaranteed notes and the bank borrowings denominated in United States dollars were converted into Hong Kong dollars, details of which are set out in note 4(c)(i) above.

(ii) Sensitivity analysis

Assuming that the relevant foreign currencies had strengthened/weakened by not more than 5% (2009: 5%) at 31 December 2010 and the changes had been applied to each of the Group entities' exposure to foreign exchange risk for both derivative and non-derivative financial instruments denominated in a currency other than the functional currency of the entity to which they relate and in existence at that date, with all other variables held constant, the impact on the Group's profit after tax and total equity attributable to equity shareholders of the Company is not expected to be material.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as available-for-sale equity securities.

Listed investments held in the available-for-sale equity securities portfolio have been chosen taking reference to their long term growth potential and returns and are monitored regularly for performance. Assuming that the market value of the Group's listed available-for-sale equity securities had increased/decreased by not more than 10% (2009: 10%) at 31 December 2010, with all other variables held constant, the impact on the total equity attributable to equity shareholders of the Company is not expected to be material. Any increase or decrease in the market value of the Group's listed available-for-sale equity securities would not affect the Group's profit after tax unless they are impaired.

4 Financial risk management and fair values (continued)

(f) Fair values

(i) Financial instruments carried at fair value

The following table presents the carrying value of financial instruments measured at fair value at the balance sheet date across the three levels of the fair value hierarchy defined in HKFRS 7 (Amendments), *Financial Instruments: Disclosures*, with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	The Group		
2010	**Level 1 HK$ million**	**Level 2 HK$ million**	**Total HK$ million**
Assets			
Available-for-sale equity securities:			
– listed	2,577	–	2,577
Derivative financial instruments:			
– interest rate swap contracts	–	270	270
– cross currency interest rate swap contracts	–	482	482
	2,577	752	3,329
Liabilities			
Derivative financial instruments:			
– cross currency interest rate swap contracts	–	641	641

During the year ended 31 December 2010, there were no significant transfers between instruments in Level 1 and Level 2.

4 Financial risk management and fair values (continued)

(f) Fair values (continued)

(ii) Financial instruments carried at other than fair value

All financial instruments are carried at amounts not materially different from their fair values at 31 December 2010 and 2009 except as follows:

– Amounts due from/to subsidiaries, associates and jointly controlled entities

All the amounts due from/to subsidiaries of the Company and certain amounts due from associates and jointly controlled entities of the Group are unsecured, interest-free and have no fixed repayment terms. Given these terms it is not meaningful to quantify their fair values and therefore they are stated at cost.

– Unlisted investments

Equity securities of HK$203 million at 31 December 2010 (2009: HK$125 million) do not have a quoted market price in an active market and therefore their fair values cannot be reliably measured. They are recognised at cost less impairment losses at the balance sheet date (see note 23).

(g) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments.

(i) Equity securities

Fair value is based on quoted market prices at the balance sheet date without any deduction for transaction costs.

(ii) Derivative financial instruments

The fair value of cross currency interest rate swap contracts and interest rate swap contracts are calculated as the present value of the estimated future cash flows based on the terms and maturity of each contract, discounted at current market interest rates for a similar financial instrument at the measurement date.

(iii) Interest-bearing borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments at the measurement date.

5 Turnover

Turnover of the Group represents revenue from the sale of properties, rental income, income from construction, infrastructure business, hotel operation and management, department store operation and management, and others mainly including income from provision of finance, investment holding, project management, property management, agency services, provision of cleaning and security guard services.

The major items are analysed as follows:

	Year ended 31 December 2010	Period from 1 July 2008 to 31 December 2009 (restated)
	HK$ million	HK$ million
Sale of properties (note (i))	**5,752**	8,607
Less: Cancelled sales (note (ii))	**(3,230)**	(469)
	2,522	8,138
Rental income	**3,157**	4,178
Construction	**37**	400
Infrastructure	**317**	441
Hotel operation	**184**	248
Department store operation	**307**	406
Others	**568**	884
	7,092	14,695

Notes:

(i) Included in sale of properties is an amount of HK$45 million (Period ended 31 December 2009: HK$137 million) relating to the Group's share of revenue from its interest in a property project jointly developed by the Group and an associate.

(ii) During the year ended 31 December 2010, the Group received written requests from the purchasers of 20 property units at 39 Conduit Road for the cancellation of the sale and purchase agreements entered into in the previous year. In accordance with the terms of the agreements for sale and purchase, the Group has retained the forfeited deposits of 5% of the purchase price, and has refunded to the purchasers other payments over and above the 5% deposits received. As a result of the cancelled sales in respect of 39 Conduit Road and two other property projects during the year, revenue less direct and related costs was reduced by a loss on cancellation of HK$1,629 million and inventory was increased by HK$1,554 million. The loss on cancellation attributable to the Group, i.e. after taking into account taxation and non-controlling interests, amounted to HK$864 million (of which HK$734 million relates to the cancelled sales of the 20 units at 39 Conduit Road).

During the period ended 31 December 2009, revenue less direct and related costs was reduced by a loss on cancellation of HK$8 million and inventory was increased by HK$430 million. In previous periods losses on cancellation were presented as part of other income/(expenses), net. The loss on cancellation attributable to the Group, i.e. after taking into account taxation and non-controlling interests, amounted to HK$10 million.

6 Other revenue

	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
Bank interest income	**120**	250
Other interest income	**19**	17
Others	**70**	101
	209	368

7 Other income/(expenses), net

	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
Net gain on disposal of subsidiaries (note (i) and note 35(b))	**1,203**	48
Gain on disposal of an associate (note 35(a))	**37**	–
Net gain on disposal of fixed assets	**272**	72
Gain on sale of listed investments	**90**	37
Excess of interest in fair value of the acquirees' identifiable assets over cost of business combination (note 35(a))	**22**	–
Reversal of impairment loss/(impairment loss) for trade and other receivables		
– trade debtors (notes 16(c) and 26(c))	**59**	(56)
– others (note (ii))	**(171)**	–
Provision on inventories	**(4)**	(34)
Impairment loss on available-for-sale equity securities (note 23)	**–**	(73)
Net foreign exchange gain/(loss)	**27**	(54)
Others	**20**	(59)
	1,555	(119)

Notes:

(i) During the year ended 31 December 2010, the Group completed the disposal of (i) its entire interest in Maanshan Huan Tong Highway Development Limited, as a result of which the Group recognised a net gain on disposal of HK$47 million; and (ii) its entire interest in Sin Cheng Holdings Pte Ltd, an indirect wholly-owned subsidiary (which owns 50% equity interest in Beijing Youyi Shopping City Co., Ltd. Beijing Lufthansa Centre), as a result of which the Group recognised a net gain on disposal of HK$1,156 million. Accordingly, the Group recorded an aggregate net gain on disposal of HK$1,203 million for the year ended 31 December 2010 (see note 35(b)).

During the period ended 31 December 2009, the Group sold a subsidiary which was engaged in property leasing business for an aggregate consideration of HK$60 million. Adjusting for the effect of deferred tax relating to the subsidiary disposed of under the amendments to HKAS 12, this resulted in a net gain on disposal (as restated) of HK$48 million.

(ii) The impairment loss for the year ended 31 December 2010 as referred to above includes an amount of HK$135 million which was written off against certain remaining amounts of prepaid development costs in relation to a property development project in mainland China which was terminated during the previous financial year ended 30 June 2008.

8 Profit before taxation

Profit before taxation is arrived at after charging/(crediting):

		Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
(a)	**Finance costs:**		
	Bank interest	**818**	1,343
	Interest on loans wholly repayable within five years	**157**	212
	Interest on loans repayable after five years	**308**	227
	Other borrowing costs	**158**	130
		1,441	1,912
	Less: Amount capitalised*	**(471)**	(571)
		970	1,341

* *The borrowing costs have been capitalised at rates ranging from 2.2% to 5.64% (Period ended 31 December 2009: 1.87% to 6.55%) per annum.*

		Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
(b)	**Directors' remuneration:**		
	– For the year ended 31 December 2010	**167**	–
	– For the six months from 1 July 2008 to 31 December 2008	**–**	103
	– For the twelve months from 1 January 2009 to 31 December 2009	**–**	156
		167	259

Details of the directors' remuneration are set out in note 9.

		Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
(c)	**Staff costs (other than directors' remuneration):**		
	Salaries, wages and other benefits	**1,396**	1,927
	Contributions to defined contribution retirement plans	**61**	77
		1,457	2,004

8 Profit before taxation (continued)

Profit before taxation is arrived at after charging/(crediting): (continued)

	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
(d) Other items:		
Depreciation	**146**	215
Less: Amount capitalised	**(14)**	(3)
	132	212
Net foreign exchange gains	**(26)**	(92)
Cash flow hedges: net foreign exchange (gains)/losses reclassified from equity	**(1)**	146
	(27)	54
Amortisation of intangible operating rights	**43**	69
Cost of sales		
– completed properties for sale (net of cancelled sales) (note (i))	**2,096**	4,126
– trading stocks	**292**	379
Auditors' remuneration	**20**	22
Rentals receivable from investment properties net of direct outgoings of HK$1,051 million (Period ended 31 December 2009: HK$1,301 million) (note (ii))	**(1,632)**	(2,216)
Other rental income less direct outgoings	**(301)**	(405)
Dividend income from investments in available-for-sale equity securities		
– listed	**(25)**	(26)
– unlisted	**(18)**	(23)

Notes:

(i) Included in the cost of sales for the year ended 31 December 2010 in respect of completed properties for sale is an amount of HK$10 million (Period ended 31 December 2009: HK$36 million) relating to the Group's share of cost of properties sold in connection with the property project jointly developed by the Group and the associate as disclosed in note 5.

(ii) Included contingent rental income of HK$165 million for the year ended 31 December 2010 (Period ended 31 December 2009: HK$208 million).

9 Directors' remuneration

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows:

	For the year ended 31 December 2010				
	Fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr. the Hon. Lee Shau Kee	70	15,189	–	–	15,259
Lee Ka Kit	70	13,669	1,660	12	15,411
Colin Lam Ko Yin	70	7,416	28,584	445	36,515
Lee Ka Shing	70	11,562	1,048	537	13,217
John Yip Ying Chee	50	6,780	26,220	407	33,457
Alexander Au Siu Kee	106	7,440	5,260	372	13,178
Suen Kwok Lam	70	5,220	7,080	313	12,683
Lee King Yue	70	2,820	630	169	3,689
Fung Lee Woon King	50	3,732	4,868	224	8,874
Eddie Lau Yum Chuen	70	–	–	–	70
Li Ning	58	2,664	1,306	160	4,188
Patrick Kwok Ping Ho	120	3,612	1,588	217	5,537
Augustine Wong Ho Ming	21	1,760	1,039	106	2,926
Non-executive Directors					
Sir Po-shing Woo	58	–	–	–	58
Leung Hay Man	70	430	–	–	500
Angelina Lee Pui Ling	50	–	–	–	50
Lee Tat Man	70	–	–	–	70
Jackson Woo Ka Biu	–	–	–	–	–
Independent non-executive Directors					
Gordon Kwong Che Keung	70	430	–	–	500
Professor Ko Ping Keung	70	430	–	–	500
Wu King Cheong	70	430	–	–	500
Total for the year ended 31 December 2010	1,353	83,584	79,283	2,962	167,182

9 Directors' remuneration (continued)

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows: (continued)

	Period from 1 July 2008 to 31 December 2008				
	Fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Discretionary bonuses* HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr. the Hon. Lee Shau Kee	35	6,900	–	–	6,935
Lee Ka Kit	35	7,529	–	6	7,570
Colin Lam Ko Yin	35	3,600	25,600	216	29,451
Lee Ka Shing	35	5,917	–	227	6,179
John Yip Ying Chee	25	2,874	22,000	172	25,071
Alexander Au Siu Kee	25	3,540	4,350	177	8,092
Suen Kwok Lam	35	2,178	5,000	131	7,344
Lee King Yue	35	1,824	–	82	1,941
Fung Lee Woon King	25	2,115	1,450	109	3,699
Eddie Lau Yum Chuen	35	–	–	–	35
Li Ning	35	2,315	–	77	2,427
Patrick Kwok Ping Ho	60	2,702	–	105	2,867
Non-executive Directors					
Sir Po-shing Woo	35	–	–	–	35
Leung Hay Man	35	215	–	–	250
Angelina Lee Pui Ling	25	–	–	–	25
Lee Tat Man	35	–	–	–	35
Jackson Woo Ka Biu	–	–	–	–	–
Independent non-executive Directors					
Gordon Kwong Che Keung	35	215	–	–	250
Professor Ko Ping Keung	35	215	–	–	250
Wu King Cheong	35	215	–	–	250
Sub-total	650	42,354	58,400	1,302	102,706

* *These discretionary bonuses were paid in respect of the Directors' performance for the period from 1 January 2008 to 31 December 2008.*

9 Directors' remuneration (continued)

Directors' remuneration disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance is as follows: (continued)

	Period from 1 January 2009 to 31 December 2009				
	Fees HK$'000	Salaries, emoluments, other allowances and benefits HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive Directors					
Dr. the Hon. Lee Shau Kee	70	12,780	–	–	12,850
Lee Ka Kit	70	13,112	1,620	12	14,814
Colin Lam Ko Yin	70	7,200	28,800	432	36,502
Lee Ka Shing	70	10,054	2,140	454	12,718
John Yip Ying Chee	50	5,748	26,252	345	32,395
Alexander Au Siu Kee	50	7,080	5,220	354	12,704
Suen Kwok Lam	70	4,356	6,144	261	10,831
Lee King Yue	70	2,736	614	164	3,584
Fung Lee Woon King	50	3,626	4,672	218	8,566
Eddie Lau Yum Chuen	70	–	–	–	70
Li Ning	70	2,550	1,330	153	4,103
Patrick Kwok Ping Ho	120	3,504	1,396	210	5,230
Non-executive Directors					
Sir Po-shing Woo	70	–	–	–	70
Leung Hay Man	70	430	–	–	500
Angelina Lee Pui Ling	50	–	–	–	50
Lee Tat Man	70	–	–	–	70
Jackson Woo Ka Biu	–	–	–	–	–
Independent non-executive Directors					
Gordon Kwong Che Keung	70	430	–	–	500
Professor Ko Ping Keung	70	430	–	–	500
Wu King Cheong	70	430	–	–	500
Sub-total	1,300	74,466	78,188	2,603	156,557
Total for the period ended 31 December 2009	1,950	116,820	136,588	3,905	259,263

There was no arrangement under which a director had waived or agreed to waive any remuneration during the year or any of the abovementioned prior periods.

10 Individuals with highest emoluments

Of the five individuals with the highest emoluments, all (Period ended 31 December 2009: five) of them are directors whose emoluments are disclosed in note 9.

11 Income tax

(a) Income tax in the consolidated income statement represents:

	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
Current tax – Provision for Hong Kong Profits Tax		
Provision for the year/period	**370**	774
Under/(over)-provision in respect of prior years	**36**	(4)
	406	770
Current tax – Provision for taxation outside Hong Kong		
Provision for the year/period	**261**	129
Under-provision in respect of prior years	**26**	26
	287	155
Current tax – Provision for Land Appreciation Tax		
Provision for the year/period	**18**	78
Deferred taxation		
Origination and reversal of temporary differences	**890**	693
Effect of change in tax rate	**–**	7
	890	700
	1,601	1,703

Provision for Hong Kong Profits Tax has been made at 16.5% (Period ended 31 December 2009: 16.5%) on the estimated assessable profits for the year/period.

Provision for taxation outside Hong Kong is provided for at the applicable rates of taxation for the year/period on the estimated assessable profits arising in the relevant foreign tax jurisdictions during the year/period.

Land Appreciation Tax is levied on properties in mainland China developed by the Group for sale, at progressive rates ranging from 30% to 60% on the appreciation of land value, which under the applicable regulations is calculated based on the revenue from sale of properties less deductible expenditure including lease charges of land use rights, borrowing costs and all property development expenditure.

11 Income tax (continued)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
Profit before taxation	**17,239**	19,116
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**3,123**	3,407
Tax effect of share of profits less losses of associates and jointly controlled entities	**(961)**	(1,336)
Tax effect of non-deductible expenses	**130**	128
Tax effect of non-taxable revenue	**(964)**	(815)
Tax effect of current year's/period's tax losses not recognised	**232**	264
Tax effect of prior year's tax losses utilised	**(25)**	(26)
Tax effect of unused tax losses not recognised in prior years now recognised	**(53)**	(21)
Effect of opening deferred tax balances resulting from change in tax rate	**–**	7
Land Appreciation Tax	**14**	59
Withholding tax	**43**	14
Under-provision in respect of prior years	**62**	22
Actual tax expense	**1,601**	1,703

11 Income tax (continued)

(c) Deferred tax assets and liabilities recognised:

The components of deferred tax (assets)/liabilities recognised in the consolidated balance sheet and the movements during the year/period are as follows:

	The Group							
	Depreciation allowances in excess of related depreciation HK$ million	Revaluation of properties HK$ million	Elimination and capitalisation of expenses HK$ million	Fair value adjustment on business combination HK$ million	Consideration receivable on disposal of toll collection right of toll bridges HK$ million	Tax losses HK$ million	Others HK$ million	Total HK$ million
Deferred taxation arising from:								
At 1 July 2008								
– as previously reported	684	5,675	252	920	14	(227)	(6)	7,312
– effect of adoption of the amendments to HKAS 12 (note 2(b)(i))	–	(5,576)	–	–	–	–	–	(5,576)
– as restated	684	99	252	920	14	(227)	(6)	1,736
Charged/(credited) to profit or loss (restated)	68	721	4	(20)	6	(83)	4	700
Charged to reserves	–	–	–	–	–	–	27	27
Acquisition of a subsidiary	–	–	–	6	–	–	–	6
At 31 December 2009 (restated)	752	820	256	906	20	(310)	25	2,469
At 1 January 2010								
– as previously reported	**752**	**7,040**	**256**	**906**	**20**	**(310)**	**25**	**8,689**
– effect of adoption of the amendments to HKAS 12 (note 2(b)(i))	**–**	**(6,220)**	**–**	**–**	**–**	**–**	**–**	**(6,220)**
– as restated	**752**	**820**	**256**	**906**	**20**	**(310)**	**25**	**2,469**
Exchange adjustments	**7**	**59**	**–**	**2**	**–**	**–**	**2**	**70**
Charged/(credited) to profit or loss	**136**	**1,072**	**6**	**(1)**	**–**	**(365)**	**42**	**890**
Charged to reserves	**–**	**–**	**–**	**–**	**–**	**–**	**27**	**27**
Acquisition of a subsidiary	**–**	**–**	**–**	**127**	**–**	**–**	**–**	**127**
Disposal of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**(36)**	**(36)**
At 31 December 2010	**895**	**1,951**	**262**	**1,034**	**20**	**(675)**	**60**	**3,547**

11 Income tax (continued)

(c) Deferred tax assets and liabilities recognised: (continued)

	The Group		
	At 31 December 2010	At 31 December 2009 (restated)	At 1 July 2008 (restated)
	HK$ million	HK$ million	HK$ million
Net deferred tax assets recognised in the consolidated balance sheet	**(541)**	(156)	(129)
Net deferred tax liabilities recognised in the consolidated balance sheet	**4,088**	2,625	1,865
	3,547	2,469	1,736

(d) Deferred tax assets not recognised:

Deferred tax assets have not been recognised in respect of the following items:

	The Group			
	2010		2009	
	Deductible temporary differences/ tax losses	**Deferred tax assets**	Deductible temporary differences/ tax losses	Deferred tax assets
	HK$ million	**HK$ million**	HK$ million	HK$ million
Deductible temporary differences	**107**	**18**	134	22
Future benefits of tax losses				
Hong Kong (note (i))				
– Assessed by the Inland Revenue Department	**1,168**	**193**	1,233	203
– Not yet assessed by the Inland Revenue Department	**2,890**	**477**	2,165	357
Outside Hong Kong (note (ii))	**762**	**189**	484	120
	4,820	**859**	3,882	680
	4,927	**877**	4,016	702

Notes:

(i) The tax losses do not expire under current tax legislation.

(ii) The tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

11 Income tax (continued)

(d) Deferred tax assets not recognised: (continued)

The Group has not recognised deferred tax assets in respect of deductible temporary differences and unused tax losses of certain subsidiaries as it is not probable that sufficient future taxable profits will be available against which the deductible temporary differences and unused tax losses can be utilised.

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$3,235 million (Period ended 31 December 2009: HK$6,687 million) which has been dealt with in the accounts of the Company.

13 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to profit for the year/period

	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
First interim dividend declared and paid for 2008/2009 of HK$0.3 per share	**–**	644
Second interim dividend declared and paid for 2008/2009 of HK$0.3 per share	**–**	644
Interim dividend declared and paid for 2010 of HK$0.3 per share	**650**	–
Final dividend proposed after the balance sheet date of HK$0.7 (Period ended 31 December 2009: HK$0.7) per share	**1,523**	1,503
	2,173	2,791

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to profit for the previous financial period/year, approved and paid during the year/period

	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
Final dividend in respect of the previous financial period/year, approved and paid during the year/period of HK$0.7 (Period ended 31 December 2009: HK$0.7) per share	**1,503**	1,503

14 Other comprehensive income

(a) Tax effects relating to each component of other comprehensive income

	Year ended 31 December 2010			Period from 1 July 2008 to 31 December 2009		
	Pre-tax amount HK$ million	**Tax expense HK$ million**	**Net-of-tax amount HK$ million**	Pre-tax amount HK$ million	Tax expense HK$ million	Net-of-tax amount HK$ million
Exchange differences: net movement in the exchange reserve	**1,120**	**–**	**1,120**	(81)	–	(81)
Cash flow hedges: net movement in the hedging reserve	**163**	**(27)**	**136**	163	(27)	136
Available-for-sale equity securities: net movement in the fair value reserve	**175**	**–**	**175**	90	–	90
Net movement in the property revaluation reserve	**–**	**–**	**–**	(70)	–	(70)
Share of other comprehensive income of associates and jointly controlled entities	**335**	**–**	**335**	309	(1)	308
Other comprehensive income for the year/period	**1,793**	**(27)**	**1,766**	411	(28)	383

14 Other comprehensive income (continued)

(b) Reclassification adjustments relating to components of other comprehensive income

	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
Exchange differences:		
– translation of accounts of foreign entities	**1,152**	(81)
– reclassification adjustments for amounts transferred to profit or loss on disposal of subsidiaries	**(32)**	–
Net movement in the exchange reserve during the year/period recognised in other comprehensive income	**1,120**	(81)
Cash flow hedges:		
– effective portion of changes in fair value of hedging instruments recognised during the year/period	**164**	(12)
– reclassification adjustments for amounts transferred to profit or loss	**(1)**	175
– net deferred tax debited to other comprehensive income	**(27)**	(27)
Net movement in the hedging reserve during the year/period recognised in other comprehensive income	**136**	136
Available-for-sale equity securities:		
– changes in fair value recognised during the year/period	**261**	33
– reclassification adjustments for amounts transferred to profit or loss on disposal	**(86)**	(16)
– reclassification adjustments for amounts transferred to profit or loss on impairment	**–**	73
Net movement in the fair value reserve during the year/period recognised in other comprehensive income	**175**	90
Property revaluation reserve:		
– reclassification adjustments for amounts transferred to profit or loss on disposal of a subsidiary	**–**	(48)
– reclassification adjustments for amounts transferred to profit or loss on disposal of fixed assets	**–**	(22)
Net movement in the property revaluation reserve during the year/period recognised in other comprehensive income	**–**	(70)

14 Other comprehensive income (continued)

(c) For each component of equity

For the period ended 31 December 2009

	Attributable to equity shareholders of the Company									
	Property revaluation reserve HK$ million	Capital redemption reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total other comprehensive income HK$ million
Exchange differences										
– translation of accounts of foreign entities	–	–	(74)	–	–	–	–	(74)	(7)	(81)
Cash flow hedges										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	(10)	–	–	(10)	–	(10)
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	146	–	–	146	–	146
Available-for-sale equity securities										
– changes in fair value	–	–	–	33	–	–	–	33	–	33
– reclassification from equity to profit or loss on disposal	–	–	–	(16)	–	–	–	(16)	–	(16)
– reclassification from equity to profit or loss on impairment	–	–	–	73	–	–	–	73	–	73
Property revaluation reserve reclassified from equity to profit or loss on disposal of										
– a subsidiary	(48)	–	–	–	–	–	–	(48)	–	(48)
– fixed assets	(22)	–	–	–	–	–	–	(22)	–	(22)
Share of other comprehensive income of associates and jointly controlled entities	–	–	(2)	223	81	6	–	308	–	308
Total other comprehensive income for the period	(70)	–	(76)	313	217	6	–	390	(7)	383

14 Other comprehensive income (continued)

(c) For each component of equity (continued)

For the year ended 31 December 2010

	Attributable to equity shareholders of the Company									
	Property revaluation reserve HK$ million	Capital redemption reserve HK$ million	Exchange reserve HK$ million	Fair value reserve HK$ million	Hedging reserve HK$ million	Other reserves HK$ million	Retained profits HK$ million	Total HK$ million	Non-controlling interests HK$ million	Total other comprehensive income HK$ million
Exchange differences										
– translation of accounts of foreign entities	–	–	1,115	–	–	–	–	1,115	37	1,152
– reclassification from equity to profit or loss on disposal of a subsidiary	–	–	(21)	–	–	–	–	(21)	(11)	(32)
Cash flow hedges										
– effective portion of changes in fair value, net of deferred tax	–	–	–	–	137	–	–	137	–	137
– reclassification from equity to profit or loss, net of deferred tax	–	–	–	–	(1)	–	–	(1)	–	(1)
Available-for-sale equity securities										
– changes in fair value	–	–	–	261	–	–	–	261	–	261
– reclassification from equity to profit or loss on disposal	–	–	–	(86)	–	–	–	(86)	–	(86)
Share of other comprehensive income of associates and jointly controlled entities	–	–	295	(16)	56	–	–	335	–	335
Total other comprehensive income for the year	–	–	1,389	159	192	–	–	1,740	26	1,766

15 Earnings per share

(a) The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of HK$15,820 million (Period ended 31 December 2009 (restated): HK$15,465 million) and on the weighted average number of 2,160 million ordinary shares in issue during the year (Period ended 31 December 2009: 2,147 million ordinary shares), calculated as follows:

	Year ended 31 December 2010 million	Period from 1 July 2008 to 31 December 2009 million
Number of issued ordinary shares at 1 January 2010/1 July 2008	**2,147**	2,147
Weighted average number of shares issued in respect of scrip dividends	**13**	–
Weighted average number of ordinary shares for the year/period and at the balance sheet dates	**2,160**	2,147

Diluted earnings per share were the same as the basic earnings per share for both the current year and prior period as the inclusion of the dilutive potential ordinary shares in respect of the warrants in issue during the year ended 31 December 2010 would have an anti-dilutive effect and there were no dilutive potential ordinary shares in existence during the period ended 31 December 2009.

(b) The calculation of adjusted earnings per share is based on the profit attributable to equity shareholders of the Company and adjusted as follows:

	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 (restated) HK$ million
Profit attributable to equity shareholders of the Company	**15,820**	15,465
Effect of changes in fair value of investment properties	**(9,538)**	(7,156)
Effect of deferred taxation on changes in fair value of investment properties	**1,072**	721
Effect of share of changes in fair value of investment properties (net of deferred taxation) of:		
– associates	**(659)**	(568)
– jointly controlled entities	**(1,742)**	(3,556)
Effect of share of non-controlling interests	**89**	1,121
Adjusted earnings for calculation of earnings per share	**5,042**	6,027
Adjusted earnings per share	**HK$2.33**	HK$2.81

16 Segment reporting

The Group manages its businesses by a mixture of business lines and geography. On first-time adoption of HKFRS 8 and in a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has identified the following reportable segments.

Property development	:	Development and sale of properties
Property leasing	:	Leasing of properties
Construction	:	Construction of building works
Infrastructure	:	Investment in infrastructure projects
Hotel operation	:	Hotel operation and management
Department store operation	:	Department store operation and management
Others	:	Provision of finance, investment holding, project management, property management, agency services, provision of cleaning and security guard services

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment on the following bases.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments. Segment results form the basis of measurement used for assessing segment performance and represent profit or loss before bank interest income, write-down of inventories, fair value adjustment of investment properties, finance costs, income tax and items not specifically attributed to individual segments, such as unallocated head office and corporate expenses.

16 Segment reporting (continued)

(a) Results of reportable segments

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the year ended 31 December 2010 and the period ended 31 December 2009 is set out below.

	Property development HK$ million (Note 5)	Property leasing HK$ million	Construction HK$ million	Infra-structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Year ended 31 December 2010									
External revenue	2,522	3,157	37	317	184	307	568	–	7,092
Inter-segment revenue	–	188	425	–	–	–	30	(643)	–
Reportable segment revenue	2,522	3,345	462	317	184	307	598	(643)	7,092
Reportable segment results	(211)	1,933	(30)	271	35	54	514		2,566
Bank interest income									120
Write-down of inventories	(4)	–	–	–	–	–	–		(4)
Unallocated head office and corporate income, net									165
Profit from operations									2,847
Increase in fair value of investment properties									9,538
Finance costs									(970)
									11,415
Share of profits less losses of associates (note (i))									2,908
Share of profits less losses of jointly controlled entities (note (ii))									2,916
Profit before taxation									17,239
Income tax									(1,601)
Profit for the year									15,638

16 Segment reporting (continued)

(a) Results of reportable segments (continued)

	Property development HK$ million (Note 5)	Property leasing HK$ million	Construction HK$ million	Infra– structure HK$ million	Hotel operation HK$ million	Department store operation HK$ million	Others HK$ million	Eliminations HK$ million	Consolidated HK$ million
Period ended 31 December 2009 (restated)									
External revenue	8,138	4,178	400	441	248	406	884	–	14,695
Inter-segment revenue	–	294	2,125	–	1	–	79	(2,499)	–
Reportable segment revenue	8,138	4,472	2,525	441	249	406	963	(2,499)	14,695
Reportable segment results	3,171	2,621	(20)	335	32	64	397		6,600
Bank interest income									250
Write-down of inventories	(34)	–	–	–	–	–	–		(34)
Impairment loss on available-for-sale equity securities	–	–	–	–	–	–	(73)		(73)
Unallocated head office and corporate expenses, net									(1,536)
Profit from operations									5,207
Increase in fair value of investment properties									7,156
Finance costs									(1,341)
									11,022
Share of profits less losses of associates (note (i))									3,175
Share of profits less losses of jointly controlled entities (note (ii))									4,919
Profit before taxation									19,116
Income tax									(1,703)
Profit for the period									17,413

Notes:

(i) *During the year, the Group's share of revenue of associates arising from their activities of property development and property leasing amounted to HK$281 million (Period ended 31 December 2009: HK$978 million) and HK$517 million (Period ended 31 December 2009: HK$771 million), respectively.*

Included in the Group's share of profits less losses of associates during the year is a profit of HK$115 million (Period ended 31 December 2009: HK$261 million) contributed from the property development segment, and a profit of HK$1,006 million (Period ended 31 December 2009 (restated): HK$1,060 million) contributed from the property leasing segment (taking into account the increase in fair value of investment properties (net of deferred tax) during the year of HK$659 million (Period ended 31 December 2009 (restated): HK$568 million)).

(ii) *During the year, the Group's share of revenue of jointly controlled entities arising from their activities of property development and property leasing amounted to HK$100 million (Period ended 31 December 2009: HK$591 million) and HK$1,203 million (Period ended 31 December 2009: HK$1,573 million), respectively.*

Included in the Group's share of profits less losses of jointly controlled entities during the year is a profit of HK$71 million (Period ended 31 December 2009: HK$251 million) contributed from the property development segment, and a profit of HK$2,544 million (Period ended 31 December 2009 (restated): HK$4,472 million) contributed from the property leasing segment (taking into account the increase in fair value of investment properties during the year of HK$1,742 million (Period ended 31 December 2009 (restated): HK$3,556 million)).

16 Segment reporting (continued)

(b) Geographical information

The following table sets out information about the geographical segment location of (i) the Group's revenue from external customers; and (ii) the Group's fixed assets, intangible operating rights, interests in associates and jointly controlled entities (together, the "Specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the Specified non-current assets is based on the physical location of the asset in the case of fixed assets, the location of the operation to which they are allocated in the case of the intangible operating rights, and the location of operations in the case of interests in associates and jointly controlled entities.

	Revenue from external customers		**Specified non-current assets**	
	Year ended 31 December 2010	Period from 1 July 2008 to 31 December 2009 (restated)	**At 31 December 2010**	At 31 December 2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
Hong Kong	**5,958**	13,298	**118,051**	109,128
Mainland China	**1,134**	1,397	**25,424**	17,130
	7,092	14,695	**143,475**	126,258

(c) Other segment information

	Depreciation and amortisation		**(Reversal of impairment loss)/ impairment loss for trade debtors**	
	Year ended 31 December 2010	Period from 1 July 2008 to 31 December 2009	**Year ended 31 December 2010**	Period from 1 July 2008 to 31 December 2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
Property development	**1**	9	**(55)**	55
Property leasing	**16**	20	**–**	–
Construction	**13**	10	**–**	–
Infrastructure	**43**	70	**–**	–
Hotel operation	**53**	85	**–**	–
Department store operation	**4**	6	**–**	–
Others	**45**	81	**(4)**	1
	175	281	**(59)**	56

17 Fixed assets

(a) The Group

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:								
At 1 July 2008								
– as previously reported	58,073	104	944	164	–	–	895	60,180
– effect of adoption of the amendments to HKAS 17 (note 2(b)(ii)(vii))	–	–	–	–	–	1,065	–	1,065
– as restated	58,073	104	944	164	–	1,065	895	61,245
Exchange adjustments	(4)	–	–	–	–	–	–	(4)
Additions								
– through acquisition of a subsidiary	99	–	–	–	–	–	1	100
– others	277	430	–	–	6	–	165	878
Disposals								
– through disposal of a subsidiary	(60)	–	–	–	–	–	(1)	(61)
– others	(761)	–	–	(2)	–	–	(22)	(785)
Surplus on revaluation	7,156	–	–	–	–	–	–	7,156
Written off	–	–	–	–	–	–	(7)	(7)
Transfer from inventories, net	1,760	821	–	–	309	–	–	2,890
Transfer to investment properties	503	(503)	–	–	–	–	–	–
Transfer to assets classified as held for sale	–	–	–	–	–	–	(6)	(6)
At 31 December 2009	67,043	852	944	162	315	1,065	1,025	71,406
Representing:								
Cost	–	852	944	162	315	1,065	1,025	4,363
Valuation	67,043	–	–	–	–	–	–	67,043
	67,043	852	944	162	315	1,065	1,025	71,406

17 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Accumulated depreciation and impairment losses:								
At 1 July 2008								
– as previously reported	–	–	190	32	–	–	645	867
– effect of adoption of the amendments to HKAS 17 (note 2(b)(ii)(vii))	–	–	–	–	–	59	–	59
– as restated	–	–	190	32	–	59	645	926
Charge for the period	–	–	35	3	–	30	147	215
Acquisition of a subsidiary	–	–	–	–	–	–	1	1
Written back on disposal								
– through disposal of a subsidiary	–	–	–	–	–	–	(1)	(1)
– others	–	–	–	(1)	–	–	(21)	(22)
Written off	–	–	–	–	–	–	(6)	(6)
Elimination upon transfer to assets classified as held for sale	–	–	–	–	–	–	(3)	(3)
At 31 December 2009	–	–	225	34	–	89	762	1,110
Net book value:								
At 31 December 2009 (restated)	67,043	852	719	128	315	976	263	70,296
At 1 July 2008 (restated)	58,073	104	754	132	–	1,006	250	60,319

17 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Cost or valuation:								
At 1 January 2010								
– as previously reported	67,043	852	944	162	315	–	1,025	70,341
– effect of adoption of the amendments to HKAS 17 (note 2(b)(ii)(vii))	–	–	–	–	–	1,065	–	1,065
– as restated	67,043	852	944	162	315	1,065	1,025	71,406
Exchange adjustments	684	(7)	–	–	–	–	8	685
Additions								
– through acquisition of a subsidiary	757	–	–	–	–	–	2	759
– others	225	517	–	–	38	–	111	891
Disposals								
– others	(20)	–	–	(28)	–	–	(42)	(90)
Surplus on revaluation	9,447	91	–	–	–	–	–	9,538
Written off	–	–	–	–	–	–	(7)	(7)
Transfer from/(to) inventories, net	–	2,238	(108)	–	–	(81)	–	2,049
Transfer to investment properties	3,500	(3,500)	–	–	–	–	–	–
At 31 December 2010	81,636	191	836	134	353	984	1,097	85,231
Representing:								
Cost	–	–	836	134	353	984	1,097	3,404
Valuation	81,636	191	–	–	–	–	–	81,827
	81,636	191	836	134	353	984	1,097	85,231

17 Fixed assets (continued)

(a) The Group (continued)

	Investment properties HK$ million	Investment properties under development HK$ million	Hotel properties HK$ million	Other land and buildings HK$ million	Properties under development for own use HK$ million	Interests in leasehold land held for own use under finance leases HK$ million	Others HK$ million	Total HK$ million
Accumulated depreciation and impairment losses:								
At 1 January 2010								
– as previously reported	–	–	225	34	–	–	762	1,021
– effect of adoption of the amendments to HKAS 17 (note 2(b)(ii)(vii))	–	–	–	–	–	89	–	89
– as restated	–	–	225	34	–	89	762	1,110
Charge for the year	–	–	22	2	–	20	102	146
Acquisition of a subsidiary	–	–	–	–	–	–	2	2
Written back on disposal								
– others	–	–	–	(8)	–	–	(34)	(42)
Transfer to inventories	–	–	(46)	–	–	(5)	–	(51)
Exchange adjustment	–	–	–	–	–	–	5	5
Written off	–	–	–	–	–	–	(7)	(7)
At 31 December 2010	–	–	201	28	–	104	830	1,163
Net book value:								
At 31 December 2010	81,636	191	635	106	353	880	267	84,068

17 Fixed assets (continued)

(b) The analysis of net book value of properties is as follows:

	The Group		
	At 31 December		At 1 July
	2010	2009 (restated)	2008 (restated)
	HK$ million	HK$ million	HK$ million
In Hong Kong			
– under long leases	**10,307**	9,260	8,718
– under medium-term leases	**51,243**	47,016	45,044
	61,550	56,276	53,762
Outside Hong Kong			
– under medium-term leases	**22,249**	13,755	6,305
– under short-term leases	**2**	2	2
	22,251	13,757	6,307
	83,801	70,033	60,069

(c) The Group's investment properties and investment properties under development were revalued at 31 December 2010 by DTZ, an independent firm of professional surveyors who have among their staff Fellows of The Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued, on a market value basis. The Group's investment properties were valued in their existing states by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income allowing for reversionary income potential. The Group's investment properties under development were valued by estimating the fair value of such properties as if they were completed in accordance with the relevant development plan and then deducting from that amount the estimated costs to complete the construction, financing costs and a reasonable profit margin.

No valuations were performed for the Group's investment properties under development at 31 December 2009 and therefore they are stated at cost as their fair values cannot be reliably measured at that date.

(d) All properties held under operating leases that would otherwise meet the definition of investment properties are classified as investment properties.

18 Intangible operating rights

	The Group		
	Toll bridge operating right HK$ million	Toll highway operating right HK$ million	Total HK$ million
Cost:			
At 1 July 2008	861	283	1,144
Exchange adjustments	(1)	(1)	(2)
Additions	7	–	7
Transfer to assets classified as held for sale	–	(282)	(282)
At 31 December 2009	867	–	867
Accumulated amortisation:			
At 1 July 2008	298	97	395
Amortisation for the period	61	8	69
Elimination upon transfer to assets classified as held for sale	–	(105)	(105)
At 31 December 2009	359	–	359
Carrying amount:			
At 31 December 2009	508	–	508

	The Group
	Toll bridge operating right HK$ million
Cost:	
At 1 January 2010	**867**
Exchange adjustments	**26**
At 31 December 2010	**893**
Accumulated amortisation:	
At 1 January 2010	**359**
Amortisation for the year	**43**
Exchange adjustments	**12**
At 31 December 2010	**414**
Carrying amount:	
At 31 December 2010	**479**

18 Intangible operating rights (continued)

The toll bridge and the toll highway represent Hangzhou Qianjiang Third Bridge (the "Bridge") located in Zhejiang Province, mainland China, and Maanshan City Ring Road (the "Highway") located in Anhui Province, mainland China, respectively.

The Group has been granted the operating right of the Bridge by the People's Government of Zhejiang Province (浙江省人民政府) for a period of 29 years during which the Group has the rights of management and maintenance of the Bridge.

At 31 December 2009, the toll highway operating right was pledged to secure the Group's certain bank loans (see note 30). As referred to in note 33, the Group completed the disposal of its interest in the Highway on 26 February 2010. Therefore, the Group ceased to have ownership of the toll highway operating right with effect from the abovementioned date and at 31 December 2010.

The amortisation charge for the year/period is included in "Direct costs" in the consolidated income statement.

19 Interest in subsidiaries

	The Company	
	At 31 December	
	2010	2009
	HK$ million	HK$ million
Unlisted shares, at cost	**2,493**	2,493
Less: Impairment loss	**(93)**	(93)
	2,400	2,400
Amounts due from subsidiaries	**116,015**	110,670
Amounts due to subsidiaries	**(14,871)**	(12,248)
	103,544	100,822

The amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered/settled within one year.

Details of the principal subsidiaries at 31 December 2010 are shown on pages 253 to 258.

20 Interest in associates

	The Group			The Company	
	At 31 December		At 1 July	At 31 December	
	2010	2009 (restated)	2008 (restated)	**2010**	2009
	HK$ million	HK$ million	HK$ million	**HK$ million**	HK$ million
Unlisted					
Shares, at cost	**–**	–	–	**161**	161
Share of net assets	**1,059**	990	1,243	**–**	–
Amounts due from associates	**606**	1,214	1,242	**12**	308
	1,665	2,204	2,485	**173**	469
Less: Impairment loss	**–**	–	–	**(49)**	(49)
	1,665	2,204	2,485	**124**	420
Listed in Hong Kong					
Share of net assets, including goodwill on acquisition	**36,316**	34,357	32,399	**–**	–
	37,981	36,561	34,884	**124**	420
Market value of listed shares	**55,623**	53,625	51,905	**–**	–

Except for the amounts due from associates of HK$31 million (2009: HK$71 million) and HK$64 million (2009: HK$60 million) which are interest-bearing at Hong Kong dollar prime rate less 3% (2009: Hong Kong dollar prime rate less 3%) and Hong Kong dollar prime rate plus 2% (2009: Hong Kong dollar prime rate plus 2%) per annum, respectively, all of the amounts due from associates are unsecured, interest-free and have no fixed terms of repayment. The balances are not expected to be recovered within one year and are neither past due nor impaired.

Details of the principal associates at 31 December 2010 are set out on page 259.

Summary financial information on associates:

	Assets HK$ million	**Liabilities HK$ million**	**Equity HK$ million**	**Revenues HK$ million**	**Profit HK$ million**
Year ended 31 December 2010	**93,077**	**(35,678)**	**57,399**	**22,678**	**7,451**
Period ended 31 December 2009 (restated)	86,737	(34,268)	52,469	24,034	8,527

21 Interest in jointly controlled entities

	The Group			The Company	
	At 31 December		At 1 July	**At 31 December**	
	2010	2009 (restated)	2008 (restated)	**2010**	2009
	HK$ million	HK$ million	HK$ million	**HK$ million**	HK$ million
Unlisted shares, at cost	**–**	–	–	**–**	–
Share of net assets	**16,426**	14,941	12,338	**–**	–
Amounts due from jointly controlled entities	**4,521**	3,952	3,179	**193**	126
	20,947	18,893	15,517	**193**	126

The amounts due from jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment except for the amounts of HK$11 million (2009: HK$13 million) and HK$134 million (2009: HK$133 million) which are interest-bearing at Hong Kong dollar prime rate (2009: Hong Kong dollar prime rate) and Hong Kong Interbank Offered Rate plus 0.5% (2009: Hong Kong Interbank Offered Rate plus 0.5%) per annum, respectively. The balances are not expected to be recovered within one year and are neither past due nor impaired.

Details of the principal jointly controlled entities at 31 December 2010 are set out on page 260.

Summary financial information on jointly controlled entities – Group's effective interest:

	At 31 December 2010	At 31 December 2009 (restated)	At 1 July 2008 (restated)
	HK$ million	HK$ million	HK$ million
Non-current assets	**24,922**	23,365	19,931
Current assets	**3,804**	3,400	2,958
Non-current liabilities	**(8,970)**	(8,655)	(9,223)
Current liabilities	**(3,330)**	(3,169)	(1,328)
Net assets	**16,426**	14,941	12,338

	Year ended 31 December 2010	Period from 1 July 2008 to 31 December 2009 (restated)
	HK$ million	HK$ million
Income	**6,488**	9,346
Expenses	**(3,572)**	(4,427)
Profit for the year/period	**2,916**	4,919

22 Derivative financial instruments

	The Group			
	At 31 December			
	2010		2009	
	Assets	**Liabilities**	Assets	Liabilities
	HK$ million	**HK$ million**	HK$ million	HK$ million
Cash flow hedges:				
– cross currency interest rate swap contracts	**482**	**641**	331	568
– interest rate swap contracts (note 4(c)(i))	**270**	**–**	185	1
	752	**641**	516	569
Representing:				
– non-current portion	**752**	**641**	516	557
– current portion (note 29)	**–**	**–**	–	12
	752	**641**	516	569

Swap contracts which have been entered into with certain counterparty banks comprise:

– cross currency interest rate swap contracts to hedge against the interest rate risk and foreign currency risk in respect of guaranteed notes (see note 31) denominated in United States dollars ("US$") and Pound Sterling ("£") with aggregate principal amounts of US$825 million and £50 million at 31 December 2010 (2009: US$825 million and £50 million) and bank loans denominated in United States dollars with an aggregate amount of US$148 million at 31 December 2010 (2009: US$199 million); and

– interest rate swap contracts to hedge against the interest rate risk in respect of certain bank loans denominated in Hong Kong dollars with an aggregate amount of HK$7,100 million at 31 December 2010 (2009: HK$5,500 million).

These cross currency interest rate swap contracts and interest rate swap contracts were designated as cash flow hedges of the interest rate risk and foreign currency risk in relation to the guaranteed notes and bank loans. They will mature between 18 September 2013 and 22 July 2025 (2009: 8 September 2010 and 13 June 2024).

23 Other financial assets

	The Group	
	At 31 December	
	2010	2009
	HK$ million	HK$ million
Available-for-sale equity securities		
Unlisted	**203**	125
Listed (note 4(f)(i)):		
– in Hong Kong	**2,457**	855
– outside Hong Kong	**120**	47
	2,780	1,027
Instalments receivable	**655**	826
Long term receivable	**54**	66
	3,489	1,919
Market value of listed securities	**2,577**	902

Available-for-sale equity securities

During the eighteen months ended 31 December 2009, certain of the Group's available-for-sale equity securities were determined to be impaired on the basis of significant or prolonged decline in their fair value below cost. Accordingly, impairment loss of HK$73 million was recognised in the consolidated income statement in accordance with the accounting policies set out in notes 2(o)(i) and (iii).

At 31 December 2010, the fair value of available-for-sale equity securities which individually remained impaired amounted to HK$1 million (2009: HK$33 million).

Instalments receivable

Instalments receivable represents the proceeds receivable from the sale of properties due after twelve months from the balance sheet date. The balance included in "Other financial assets" is neither past due nor impaired. Instalments receivable due within twelve months from the balance sheet date is included in "Trade and other receivables" under current assets (see note 26).

Long term receivable

Long term receivable represents the non-current portion of the discounted value of the instalments receivable in the future arising from the disposal of toll collection right of certain toll bridges. The current portion of HK$63 million (2009: HK$51 million) which is expected to be recovered within one year is included in "Trade and other receivables" under current assets (see note 26).

24 Deposits for acquisition of properties

Deposits for acquisition of properties mainly include HK$5,321 million (2009: HK$4,633 million) and HK$561 million (2009: HK$561 million) paid for the acquisition of certain pieces of land/properties located in mainland China and Macau, respectively.

25 Inventories

	The Group At 31 December 2010 HK$ million	The Group At 31 December 2009 HK$ million
Property development		
Leasehold land held for development for sale	**8,986**	7,972
Properties held for/under development for sale	**38,457**	19,186
Completed properties for sale	**13,182**	14,292
	60,625	41,450
Other operations		
Trading stocks	**92**	91
	60,717	41,541

The analysis of carrying value of inventories for property development is as follows:

	The Group At 31 December 2010 HK$ million	The Group At 31 December 2009 HK$ million
In Hong Kong		
– under long leases	**12,035**	6,175
– under medium-term leases	**33,481**	21,644
	45,516	27,819
In mainland China		
– under long leases	**9,246**	7,407
– under medium-term leases	**5,863**	6,224
	15,109	13,631
	60,625	41,450
Including:		
– Properties expected to be completed after more than one year	**36,645**	16,503

26 Trade and other receivables

	The Group		The Company	
	At 31 December		At 31 December	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
Instalments receivable (note 23)	**1,256**	4,709	**–**	–
Debtors, prepayments and deposits	**3,052**	2,389	**28**	27
Gross amount due from customers for contract work (note 27)	**17**	10	**–**	–
Amounts due from associates	**139**	250	**–**	–
Amounts due from jointly controlled entities	**33**	7	**–**	–
	4,497	7,365	**28**	27

All of the trade and other receivables are expected to be recovered or recognised as expense within one year except for various deposits and other receivables of HK$458 million (2009: HK$440 million) which are expected to be recovered after more than one year.

The amounts due from associates and jointly controlled entities are unsecured and interest-free, have no fixed terms of repayment and are neither past due nor impaired.

(a) Ageing analysis

Included in trade and other receivables are trade debtors (net of allowance for doubtful debts) with the following ageing analysis at the balance sheet date:

	The Group		The Company	
	At 31 December		At 31 December	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
Current or under 1 month overdue	**1,567**	4,572	**–**	–
More than 1 month overdue and up to 3 months overdue	**66**	78	**–**	–
More than 3 months overdue and up to 6 months overdue	**26**	42	**–**	–
More than 6 months overdue	**65**	601	**–**	–
	1,724	5,293	**–**	–

(b) The Group's credit policy is set out in note 4(a).

26 Trade and other receivables (continued)

(c) Impairment of trade debtors

The movement in the allowance for doubtful debts during the year/period is as follows:

	The Group		The Company	
	2010 **HK$ million**	2009 HK$ million	**2010** **HK$ million**	2009 HK$ million
At 1 January 2010/ 1 July 2008	**213**	158	**–**	–
Exchange differences	**1**	–	**–**	–
Impairment loss (reversed)/recognised (notes 7 and 16(c))	**(59)**	56	**–**	–
Uncollectible amounts written off	**(4)**	(1)	**–**	–
At 31 December 2010 and 2009	**151**	213	**–**	–

The individually impaired receivables related to customers who were in financial difficulties and the management assessed that only a portion of those receivables is expected to be recoverable. Accordingly, the Group has made impairment losses during the year/period in relation to the amounts which are considered to be irrecoverable.

(d) Trade debtors that are not impaired

At 31 December 2010, 90% (2009: 96%) of the Group's trade debtors was not impaired, of which 94% (2009: 88%) was not past due or less than 3 months past due.

Receivables which were neither past due nor impaired relate to customers for whom there was no recent history of default.

Receivables which were past due but not impaired relate to customers who have a good track record of trading with the Group. Based on past experience, management considers that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable.

27 Gross amount due from/(to) customers for contract work

	The Group	
	At 31 December	
	2010	2009
	HK$ million	HK$ million
Contracts in progress at the balance sheet date:		
Contract costs incurred plus recognised profits less recognised losses	**51**	46
Progress billings	**(35)**	(36)
Net contract work	**16**	10
Represented by:		
Gross amount due from customers for contract work (note 26)	**17**	10
Gross amount due to customers for contract work (note 29)	**(1)**	–
	16	10

28 Cash and cash equivalents

	The Group		The Company	
	At 31 December		At 31 December	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
Deposits with banks and other financial institutions	**3,811**	5,058	**–**	–
Cash at bank and in hand	**5,986**	5,467	**1**	1
Cash and cash equivalents in the balance sheets	**9,797**	10,525	**1**	1
Cash and cash equivalents classified as held for sale (note 33)	**–**	6		
Bank overdrafts (note 30)	**(45)**	(36)		
Cash and cash equivalents in the consolidated cash flow statement	**9,752**	10,495		

29 Trade and other payables

	The Group		The Company	
	At 31 December		At 31 December	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
Creditors and accrued expenses	**4,271**	4,395	**14**	12
Gross amount due to customers for contract work (note 27)	**1**	–	**–**	–
Rental and other deposits	**908**	730	**–**	–
Forward sales deposits received	**410**	50	**–**	–
Derivative financial instruments (note 22)	**–**	12	**–**	–
Amounts due to associates	**107**	46	**30**	10
Amounts due to jointly controlled entities	**115**	126	**14**	27
	5,812	5,359	**58**	49

(i) All of the trade and other payables are expected to be settled within one year except for an amount of HK$563 million (2009: HK$410 million) which is expected to be settled after more than one year.

(ii) Included in trade and other payables are trade creditors with the following ageing analysis at the balance sheet date:

	The Group		The Company	
	At 31 December		At 31 December	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
Due within 1 month or on demand	**859**	816	**–**	–
Due after 1 month but within 3 months	**406**	446	**–**	–
Due after 3 months but within 6 months	**394**	287	**–**	–
Due after 6 months	**1,067**	1,417	**–**	–
	2,726	2,966	**–**	–

(iii) The amounts due to associates and jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

30 Bank loans and overdrafts

At 31 December 2010, bank loans and overdrafts were repayable as follows:

	The Group	
	At 31 December	
	2010	2009
	HK$ million	HK$ million
Within 1 year and included in current liabilities	**7,516**	4,858
After 1 year and included in non-current liabilities		
– After 1 year but within 2 years	**16,407**	5,635
– After 2 years but within 5 years	**8,786**	18,238
– After 5 years	**1,939**	284
	27,132	24,157
	34,648	29,015
Bank loans associated with assets classified as held for sale (note 33)		
– Within 1 year	**–**	11
– After 1 year but within 2 years	**–**	11
	–	22
	34,648	29,037

At 31 December 2010, the amounts of secured and unsecured bank loans and overdrafts were as follows:

	The Group	
	At 31 December	
	2010	2009
	HK$ million	HK$ million
Unsecured bank overdrafts (note 28)	**45**	36
Bank loans		
– Secured	**–**	22
– Unsecured	**34,603**	28,979
	34,648	29,037

At 31 December 2009, the Group's bank loans of HK$22 million were secured by the Group's toll highway operating right (see notes 18 and 33).

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios and minimum net assets requirement, as are commonly found in lending arrangements with financial institutions. At 31 December 2010 and 2009, none of the covenants relating to the drawdown facilities had been breached.

31 Guaranteed notes

	The Group	
	At 31 December	
	2010	2009
	HK$ million	HK$ million
Guaranteed notes due 2014 – 2022	**3,128**	3,145
Guaranteed notes due 2019	**3,863**	3,849
	6,991	6,994

At 31 December 2010, the guaranteed notes were repayable as follows:

	The Group	
	At 31 December	
	2010	2009
	HK$ million	HK$ million
After 2 years but within 5 years	**1,268**	1,264
After 5 years	**5,723**	5,730
	6,991	6,994

Guaranteed notes due 2014 – 2022

On 25 July 2007, the Company through a wholly-owned subsidiary issued guaranteed loan notes (the "2007 Notes") with aggregate principal amounts of US$325 million and £50 million under private placements in the United States of America and in Europe. The 2007 Notes with principal amounts of US$315 million and £50 million bear fixed interest rates ranging from 6.06% to 6.38% per annum payable semi-annually in arrears and the remaining 2007 Notes with principal amount of US$10 million bear floating rate by reference to 3-month London Interbank Offered Rate payable quarterly in arrears. The 2007 Notes are guaranteed by the Company and will mature between 25 July 2014 and 25 July 2022.

Guaranteed notes due 2019

On 17 September 2009, the Company through a wholly-owned subsidiary issued guaranteed notes (the "2009 Notes") with an aggregate principal amount of US$500 million at an issue price equal to 99.795% of the principal amount of the 2009 Notes. The 2009 Notes bear fixed interest rate at 5.50% per annum, payable semi-annually in arrears. The 2009 Notes are guaranteed by the Company and will mature on 17 September 2019.

32 Amount due to a fellow subsidiary

The amount due to a fellow subsidiary is unsecured, interest-bearing by reference to Hong Kong Interbank Offered Rate and has no fixed terms of repayment. The balance is not expected to be settled within one year.

33 Assets classified as held for sale and liabilities associated with assets classified as held for sale

On 12 March 2009, Hong Kong Vigorous Limited ("Vigorous"), an indirectly owned subsidiary of the Company, entered into an agreement with 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 JV Partner") in relation to the sale by Vigorous of its entire 70% interest in Maanshan Huan Tong Highway Development Limited to Maanshan Highway JV Partner for a cash consideration of RMB122 million (equivalent to HK$139 million). The transaction was completed on 26 February 2010 and a net gain on disposal of subsidiary of HK$47 million was recognised and included in "Other income/(expenses), net" (note 7) during the year ended 31 December 2010.

At 31 December 2009, included in assets classified as held for sale was toll highway operating right with carrying amount of HK$177 million which was pledged to secure the Group's bank loans of HK$22 million grouped under "Liabilities associated with assets classified as held for sale" (see notes 18 and 30).

The major classes of assets and liabilities classified as held for sale at 31 December 2009 were as follows:

	HK$ million
Assets	
Property, plant and equipment	3
Toll highway operating right	177
Trade and other receivables	10
Cash and cash equivalents (note 28)	6
	196
Liabilities	
Bank loans (note 30)	(22)
Trade and other payables	(15)
Current taxation	(2)
	(39)
Net assets classified as held for sale	157

34 Capital and reserves

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of changes in the Company's individual components of equity between the beginning and end of the year/period are set out below:

The Company

	Share capital HK$ million	Share premium HK$ million	Capital redemption reserve HK$ million	Retained profits HK$ million	Total equity HK$ million
At 1 July 2008	4,294	29,782	20	63,355	97,451
Profit and total comprehensive income for the period (note 12)	–	–	–	6,687	6,687
Dividend approved in respect of the previous financial year (note 13(b))	–	–	–	(1,503)	(1,503)
Dividends declared and paid in respect of the current period (note 13(a))	–	–	–	(1,288)	(1,288)
At 31 December 2009	4,294	29,782	20	67,251	101,347
At 1 January 2010	**4,294**	**29,782**	**20**	**67,251**	**101,347**
Profit and total comprehensive income for the year (note 12)	**–**	**–**	**–**	**3,235**	**3,235**
Dividend approved in respect of the previous financial period (note 13(b))	**–**	**–**	**–**	**(1,503)**	**(1,503)**
Dividend declared and paid in respect of the current year (note 13(a))	**–**	**–**	**–**	**(650)**	**(650)**
Shares issued in respect of scrip dividends and warrants (note 34(b))	**58**	**1,345**	**–**	**–**	**1,403**
At 31 December 2010	**4,352**	**31,127**	**20**	**68,333**	**103,832**

34 Capital and reserves (continued)

(b) Share capital

	The Group and the Company			
	Number of shares		Amount	
	2010	2009	**2010**	2009
	million	million	**HK$ million**	HK$ million
Ordinary shares of HK$2 each (each being a "Share")				
Authorised:				
At 1 January 2010/1 July 2008	**2,600**	2,600	**5,200**	5,200
Increase in authorised share capital	**2,400**	–	**4,800**	–
At 31 December 2010 and 2009	**5,000**	2,600	**10,000**	5,200
Issued and fully paid:				
At 1 January 2010/1 July 2008	**2,147**	2,147	**4,294**	4,294
Shares issued in respect of scrip dividends and warrants	**29**	–	**58**	–
At 31 December 2010 and 2009	**2,176**	2,147	**4,352**	4,294

(i) *Increase in authorised share capital*

Pursuant to an ordinary resolution passed at the annual general meeting held on 1 June 2010, the Company's authorised share capital was increased from HK$5,200 million to HK$10,000 million by the creation of an additional 2,400 million Shares in the Company.

(ii) *Issue of shares in respect of scrip dividends*

On 2 June 2010, the Company issued and allotted 18,610,071 Shares at an issue price of HK$47.11 in respect of the final dividend for the eighteen months ended 31 December 2009 under the scrip dividend scheme. The 18,610,071 Shares issued rank pari passu in all respects with the then existing Shares.

On 15 October 2010, the Company issued and allotted 10,545,528 Shares at an issue price of HK$49.4 in respect of the interim dividend for the six months ended 30 June 2010 under the scrip dividend scheme. The 10,545,528 Shares issued rank pari passu in all respects with the then existing Shares.

Accordingly, the Company's share capital and share premium were in aggregate increased by approximately HK$58 million and HK$1,340 million, respectively.

34 Capital and reserves (continued)

(b) Share capital (continued)

(iii) Bonus issue of warrants

On 30 March 2010, the Board announced the proposed bonus issue of warrants ("Warrants") by the Company to the shareholders on the basis of one Warrant for every five Shares held on 23 April 2010, which was approved by the shareholders at the extraordinary general meeting of the Company held on 1 June 2010. 429,348,478 units of Warrants were issued on 2 June 2010.

Each Warrant entitles the holder thereof to subscribe one Share at an initial subscription price of HK$58.00 (subject to adjustment), and is exercisable at any time during the period of one year commencing from 2 June 2010 up to 1 June 2011 (both days inclusive). During the period from 2 June 2010 to 31 December 2010, 91,947 units of Warrants had been exercised by the holders thereof. As a result, 91,947 Shares were issued and allotted by the Company to the holders of such Warrants and, accordingly, the Company's share premium was increased by approximately HK$5 million. The 91,947 Shares issued rank pari passu in all respects with the then existing Shares. At 31 December 2010, 429,256,531 units of Warrants remained outstanding.

(c) Nature and purpose of reserves

(i) Share premium and capital redemption reserve

The application of share premium and the capital redemption reserve is governed by Section 48B and Section 49H respectively of the Hong Kong Companies Ordinance.

(ii) Property revaluation reserve

Property revaluation reserve relates to other land and buildings. Where other land and buildings is reclassified to investment property, the cumulative increase in fair value at the date of reclassification is included in the property revaluation reserve, and will be transferred to retained profits upon the retirement or disposal of the relevant property.

(iii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the accounts of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 2(z).

(iv) Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale equity securities held at the balance sheet date and is dealt with in accordance with the accounting policy set out in note 2(h).

(v) Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of the hedging instruments used in cash flow hedges pending subsequent recognition of the hedged cash flow in accordance with the accounting policy adopted for cash flow hedges in note 2(j).

(vi) Other reserves

Other reserves comprise statutory reserve set up for enterprises established in mainland China. According to the relevant PRC rules and regulations applicable to wholly foreign-owned enterprises, a wholly foreign-owned enterprise is required to transfer at least 10% of its profit after taxation, as determined under the PRC Accounting Regulations, to a reserve fund until the reserve fund balance reaches 50% of the relevant enterprise's registered capital.

34 Capital and reserves (continued)

(d) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$68,333 million (2009: HK$67,251 million). After the balance sheet date the directors proposed a final dividend of HK$0.7 (Period ended 31 December 2009: HK$0.7) per ordinary share, amounting to HK$1,523 million (Period ended 31 December 2009: HK$1,503 million). This dividend has not been recognised as a liability at the balance sheet date.

(e) Capital management

The Group's primary objectives for capital management are to safeguard the Group's ability to continue as a going concern so that the Group can continue to provide financial returns to shareholders, and by securing access to financing sources at reasonable costs.

The Group regularly reviews and manages its capital structure under the policy of financial management. The Group maintains a financially sound capital position and, where appropriate, makes adjustments to its capital structure in light of remarkable changes in the financial and capital markets and in economic conditions.

The Group monitors its capital structure on the basis of gearing ratio, which is one of the most commonly adopted measurement standards for capital management by companies engaged in the businesses of property development and property investment. Gearing ratio is calculated based on the net debt (being the aggregate of the Group's bank and other borrowings and the amount due to a fellow subsidiary ("Total debt") less cash and bank balances) and shareholders' funds of the Group at the balance sheet date.

During the year, the Group's strategy was to secure long-term funding sources at attractive borrowing costs so as to finance the development of the Group's land bank in Hong Kong and mainland China in the coming years. The Group continued to maintain a low gearing ratio during the year, which has the effect of minimising any unfavourable impact on the Group arising from any unforeseeable adverse changes in the local and/or international financial markets, capital markets and economic conditions.

The Group's gearing ratios at 31 December 2010 and 2009 were as follows:

	At 31 December	
	2010	2009
	HK$ million	HK$ million
Bank and other borrowings repayable:		
– Within 1 year	**7,516**	4,869
– After 1 year but within 2 years	**16,407**	5,646
– After 2 years but within 5 years	**10,054**	19,502
– After 5 years	**7,662**	6,014
Amount due to a fellow subsidiary		
– Due after 1 year but within 2 years	**12,976**	2,210
Total debt	**54,615**	38,241
Less: Cash and bank balances	**(9,797)**	(10,531)
Net debt	**44,818**	27,710
Shareholders' funds (2009 – restated)	**159,038**	142,228
Gearing ratio (%) (2009 – restated)	**28.2%**	19.5%

Except for a wholly-owned subsidiary of the Company which is engaged in the provision of finance, neither the Company nor any of its other subsidiaries are subject to externally imposed capital requirements during the year and at 31 December 2010.

35 Acquisition and disposal of subsidiaries

(a) Acquisition of subsidiaries

On 20 April 2010, a wholly owned subsidiary of the Company acquired the entire issued share capitals and the shareholder's loans of three companies which are beneficially interested in certain leasehold land sites in the New Territories, Hong Kong, for a cash consideration (subject to adjustments) of HK$600 million. The acquisition was completed on 20 May 2010.

In November 2010, the Group increased its equity interest from 75% to 100% in an associate which is engaged in property investment in mainland China. Accordingly, the associate became a wholly-owned subsidiary of the Group.

The fair value of assets acquired and liabilities assumed were as follows:

	The Group	
	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
Fixed assets	**757**	99
Inventories	**988**	11
Deposits for acquisition of properties	**19**	–
Amount due from a fellow subsidiary	**51**	–
Debtors, prepayments and deposits	**39**	–
Cash and cash equivalents	**14**	68
Creditors and accrued expenses	**(11)**	(8)
Amounts due to shareholders	**(713)**	–
Current taxation	**–**	(33)
Deferred tax liabilities	**(127)**	(6)
Net assets	**1,017**	131
Share of net assets immediately before the acquisition	**(140)**	(67)
Gain on disposal of an associate (note 7)	**(37)**	–
Excess of interest in fair value of the acquiree's identifiable assets over cost of business combination (note 7)	**(22)**	–
Goodwill on acquisition	**–**	3
Total consideration	**818**	67
Representing:		
Cash consideration paid	**758**	67
Debtors, prepayments and deposits	**60**	–
	818	67
Net cash inflow/(outflow) in respect of the acquisitions:		
Cash consideration paid	**(758)**	(67)
Cash and cash equivalents acquired	**14**	68
	(744)	1

35 Acquisition and disposal of subsidiaries (continued)

(b) Disposal of subsidiaries

The Group disposed of certain subsidiaries during the year and prior period (see note 7(i)). The disposals had the following effect on the Group's assets and liabilities:

	The Group	
	Year ended 31 December 2010	Period from 1 July 2008 to 31 December 2009 (restated)
	HK$ million	HK$ million
Fixed assets	**6**	60
Toll highway operation right	**177**	–
Interest in jointly controlled entities	**309**	–
Debtors, prepayments and deposits	**129**	–
Cash and cash equivalents	**13**	–
Bank loans	**(22)**	–
Creditors and accrued expenses	**(27)**	–
Deferred tax liabilities	**(36)**	–
Net assets	**549**	60
Non-controlling interests	**(54)**	–
Disposal of net assets attributable to the Group	**495**	60
Release of exchange reserve	**(21)**	–
Property revaluation reserve	**–**	(48)
Professional charges	**1**	–
Net gain on disposal (note 7(i))	**1,203**	48
Total consideration	**1,678**	60
Representing:		
Cash consideration received	**139**	18
Cash consideration receivable included in debtors, prepayments and deposits	**3**	42
Available-for-sale equity securities	**1,536**	–
	1,678	60
Net cash inflow in respect of the disposals:		
Cash consideration received	**139**	18
Cash and cash equivalents disposed of	**(13)**	–
Professional charges	**(1)**	–
	125	18

36 Capital commitments

At 31 December 2010, the Group had capital commitments not provided for in these accounts as follows:

	The Group	
	2010	2009
	HK$ million	HK$ million
Contracted for acquisition of property and future development expenditure and the related costs of internal fixtures and fittings	**8,847**	12,345
Future development expenditure and the related costs of internal fixtures and fittings approved by the directors but not contracted for	**27,185**	21,456
	36,032	33,801

37 Significant leasing arrangements

At 31 December 2010, the Group is both a lessor and a lessee under operating leases. Details of the Group's commitments under non-cancellable operating leases are set out as follows:

(a) Lessor

The Group leases out a number of land/building facilities under operating leases. The leases typically run for an initial period of one to six years, with an option to renew the lease after that date at which time all terms are re-negotiated. Further details of the carrying value of the properties are contained in note 17.

The total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2010	2009
	HK$ million	HK$ million
Within 1 year	**2,632**	2,113
After 1 year but within 5 years	**3,113**	1,978
After 5 years	**612**	264
	6,357	4,355

37 Significant leasing arrangements (continued)

(b) Lessee

The Group leases a number of building facilities under operating leases. The leases typically run for an initial period of one to seven years, with an option to renew the lease after that date at which time all terms are re-negotiated.

During the year, HK$85 million (Period ended 31 December 2009: HK$110 million) was recognised as an expense in the consolidated income statement in respect of leasing of building facilities.

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2010	2009
	HK$ million	HK$ million
Within 1 year	**53**	70
After 1 year but within 5 years	**42**	32
	95	102

38 Contingent liabilities

At 31 December 2010, contingent liabilities of the Group and of the Company were as follows:

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$ million	HK$ million	**HK$ million**	HK$ million
(a) Guarantees given by the Company to banks to secure banking facilities of subsidiaries	**–**	–	**32,852**	26,264
(b) Guarantees given by the Company to the holders of guaranteed notes issued by subsidiaries	**–**	–	**6,991**	6,994
	–	–	**39,843**	33,258

38 Contingent liabilities (continued)

(c) In connection with the sale of certain subsidiaries and shareholders' loans to Sunlight Real Estate Investment Trust ("Sunlight REIT") (the "Sale") in December 2006, the Group entered into Deeds of Tax Covenant with Sunlight REIT. Under the Deeds of Tax Covenant, the Group has undertaken to indemnify Sunlight REIT for any tax liabilities relating to events occurred on or before the completion of the Sale (the "Completion"), clawback of commercial building allowances and capital allowances granted up to the Completion and re-classification of the properties before the Completion. At 31 December 2010, the Group had contingent liabilities in this connection of HK$8 million (2009: HK$12 million).

(d) At 31 December 2010, the Group had contingent liabilities in respect of performance bonds to guarantee for the due and proper performance of the subsidiaries' obligations amounting to HK$22 million (2009: HK$78 million).

(e) During the year ended 31 December 2010, a subsidiary of the Company in mainland China was subject to an audit by the tax authority regarding its tax assessment for the year ended 31 December 2008. The tax authority has raised questions in respect of the deductibility of certain expenses. The Group is currently in negotiation with the tax authority but no conclusion has been reached up to the date of approval of these accounts. Nevertheless, the directors believe that they have sufficient grounds to support that those expenses are deductible for tax purposes. Should those expenses not be deductible, the Group would be subject to an additional tax liability in the amount of approximately HK$35 million (2009: Nil).

39 Material related party transactions

(a) Transactions with fellow subsidiaries

Details of material related party transactions during the year/period between the Group and its fellow subsidiaries are as follows:

	The Group	
	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
Sales commission income (note (iii))	**4**	–
Other interest expense (note (i))	**21**	14

39 Material related party transactions (continued)

(b) Transactions with associates and jointly controlled entities

Details of material related party transactions during the year/period between the Group and its associates and jointly controlled entities are as follows:

	The Group	
	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
Venue fee income (note (ii))	**3**	–
Other interest income (note (i))	**6**	11
Construction income (note (ii))	**11**	398
Security guard service income (note (iii))	**14**	30
Management fee income (note (iii))	**8**	22
Professional fee income (note (iii))	**2**	3
Sales commission income (note (iii))	**5**	32
Rental expenses (note (iii))	**71**	101

(c) Transactions with related companies

Details of material related party transactions during the year/period between the Group and its related companies which are controlled by private family trusts of a director of the Group are as follows:

	The Group	
	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
Venue fee income (note (ii))	**3**	–
Administration fee income (note (ii))	**6**	–

Notes:

(i) Interest income and expense are calculated on the balance of loans outstanding from time to time by reference to Hong Kong Interbank Offered Rate or prime rate.

(ii) These transactions represent cost reimbursements or cost reimbursements plus certain percentage thereon as service fees.

(iii) These transactions were carried out on normal commercial terms and in the ordinary course of business.

(iv) The amount due to a fellow subsidiary at 31 December 2010 and 2009 is referred to in the Group's consolidated balance sheet at 31 December 2010 and 2009, and the terms of which are set out in note 32. The amounts due from/to associates and jointly controlled entities at 31 December 2010 and 2009 are set out in notes 20, 21, 26 and 29.

39 Material related party transactions (continued)

(d) Transactions with Sunlight REIT

Details of the material related party transactions during the year/period between the Group and Sunlight REIT (which is deemed as a connected person of the Company under the Listing Rules as from 30 April 2009) are as follows:

	The Group	
	Year ended 31 December 2010 HK$ million	Period from 1 July 2008 to 31 December 2009 HK$ million
Rental expenses	**7**	5
Property and lease management service fee income and other ancilliary property service fee income	**35**	23
Asset management service fee income	**57**	47
Security service fee income	**4**	3

The above transactions are conducted in accordance with the terms of respective agreements/deeds entered into between the Group and Sunlight REIT. At 31 December 2010, the amount due from Sunlight REIT amounted to HK$24 million (2009: HK$18 million).

(e) Transactions with a company owned by a director of the Company

Mr Lee Ka Kit, a director of the Company, through a company owned by him (the "entity") had separate interest in an associate of the Group and through which the Group held its interest in a development project in mainland China. The entity agreed to provide and had provided finance in the form of non interest-bearing advances to such associate in accordance with the percentage of its equity interest in such associate.

At 31 December 2010, the advance by the entity to the abovementioned associate amounted to HK$80 million (2009: HK$80 million). Such amount is unsecured and has no fixed terms of repayment.

(f) Key management personnel

Remuneration for key management personnel are disclosed in note 9.

40 Non-adjusting post balance sheet events

After the balance sheet date the directors proposed a final dividend. Further details are disclosed in note 13.

41 Comparative figures

As a result of the application of HKAS 1 (Revised), *Presentation of financial statements*, and HKFRS 8, *Operating segments* (further details of which are disclosed in note 2(b)), certain comparative figures have been adjusted to provide comparative amounts in respect of items disclosed for the first time during the year ended 31 December 2010 and to conform with current year's presentation. Certain line items relating to the cancelled property sale transactions for the period ended 31 December 2009 and certain comparative figures have also been reclassified to conform with current year's presentation.

In addition, certain comparative figures have been adjusted as a result of the adoption of the amendments to HKAS 17, *Leases* and the amendments to HKAS 12, *Income taxes*. Further details of these changes in accounting policies are disclosed in note 2(b).

42 Parent and ultimate controlling party

At 31 December 2010, the directors consider that the parent and ultimate controlling party of the Group to be Henderson Development Limited, which is incorporated in Hong Kong. Henderson Development Limited does not produce accounts available for public use.

Principal Subsidiaries

at 31 December 2010

Details of principal subsidiaries are as follows:

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(a) Property development					
(i) Incorporated and operates in Hong Kong					
Bright Gold Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Campbellton Development Limited	I	2	1	–	100
Crown Truth Limited		100	1	–	80
Gain Glory Development Limited	I	10,000	1	–	100
Gainbo Limited	I	2	1	–	100
Harvest Development Limited		420	1	–	78.57
Intelligent House Limited	I	2	1	–	100
Karmax Development Limited		2	1	–	100
Landrich Development Limited	I	1,000	1	–	100
Ming Dragon Limited		1,000	1	–	51.75
Nation Million Development Limited	I	2	1	–	100
Nation Sheen Limited	I	2	1	–	100
New Cheer Development Limited	I	1,000	1	–	100
Onfine Development Limited	I	2	1	–	100
Rich Silver Development Limited		2	1	–	100
Rightlane Investment Limited		2	1	100	–
Saxophon Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		3,000,000	1	–	100
Toplus Investment Limited	I	1,000	1	100	–
Victory Faith Investment Limited		4	1	–	100
Wealth Team Development Limited	I	1,000	1	–	90.10
Widetrend Development Limited		10,000	1	100	–

	Issued/ contributed registered capital	% of equity interest held by: The Company	Subsidiaries	% of profit sharing by subsidiaries
(ii) Established and operates in mainland China				
Sino-Foreign Co-operative Joint Venture Enterprise				
Beijing Gaoyi Property Development Co., Ltd.	US$81,000,000	–	100	100
Beijing Henderson Properties Co., Ltd.	RMB655,000,000	–	100	100

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(b) Property investment					
Incorporated and operates in Hong Kong					
Bloomark Investment Limited	I	2	1	–	100
Carry Express Investment Limited	I	10,000	10	–	100
Deland Investment Limited	I	2	100	100	–
Easewin Development Limited		2	1	–	100
Evercot Enterprise Company, Limited	I				
– A Shares		500	100	100	–
– B Shares		2	100	–	–
Join Fortune Development Limited	I				
– A Shares		100	1	100	–
– B Shares		2	1	–	–
Millap Limited	I	2	1	100	–
Shung King Development Company Limited	I				
– A Shares		2	1	100	–
– B Shares		2	1	–	–
– Non-voting deferred A shares		20,000	100	100	–
Union Fortune Development Limited	I	10,000	1	–	100

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(c) Finance					
(i) Incorporated and operates in Hong Kong					
Henderson (China) Finance Limited	I	10,000	1	–	100
Henderson International Finance Limited		250,000	100	100	–
Henderson Land Credit (2004) Limited		2	1	100	–
Henderson Land Credit (2006) Limited		1	1	100	–
Henderson Land Credit (2009) Limited	I	1	1	100	–
Henderson Land Credit (2010) Limited	I	1	1	–	100
Henderson Real Estate Finance Limited	I	2	1	100	–
Henland Finance Limited	I	1,000,000	1	100	–
Post East Finance Company Limited		2	1	100	–
Rich Chase Development Limited	I	2	1	–	100
Success Crown Development Limited		2	1	–	100
(ii) Incorporated and operates in the British Virgin Islands					
Henson Finance Limited (formerly Idealtime Investments Limited)	I	1	US$1	100	–
St. Helena Holdings Co. Limited		3	US$1	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(d) Construction					
Incorporated and operates in Hong Kong					
E Man Construction Company Limited		350,000	100	100	–
Heng Lai Construction Company Limited		2	1	–	100
Heng Shung Construction Company Limited		2	1	–	100
Heng Tat Construction Company Limited		2	100	–	100

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(e) Property management					
Incorporated and operates in Hong Kong					
Beverly Hill (Estate Management) Limited		2	1	–	100
Flora Plaza Management Limited		10	1	–	60
Goodwill Management Limited		2	1	–	100
Hang On Estate Management Limited		2	1	–	100
Hang Yick Properties Management Limited		100,000	100	100	–
Henderson Sunlight Asset Management Limited	I	38,800,000	1	–	100
Henderson Sunlight Property Management Limited	I	1	1	–	100
Metro City Management Limited		2	1	–	100
Metro Harbourview Management Limited		2	1	–	100
Star Management Limited		2	1	–	100
Sunshine City Property Management Limited		2	1	–	100
Well Born Real Estate Management Limited		2	1	100	–

	Note	Particulars of issued shares Number of ordinary shares	Par value HK$	% of shares held by The Company	Subsidiaries
(f) Investment holding					
(i) Incorporated and operates in Hong Kong					
Banshing Investment Limited		2	1	–	100
Capital Gold Development Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
China Investment Group Limited		300,000	1,000	–	100
Citiright Development Limited		2	1	100	–
Covite Investment Limited		2	1	–	100
Darnman Investment Limited		2	1	–	100
Disralei Investment Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		1,000	1	–	100
Fondoll Investment Limited		2	100	100	–
Gainwise Investment Limited		2	1	–	100
Graf Investment Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	100	–	100
Henderson Investment Limited		3,047,327,395	0.20	–	67.94
Macrostar Investment Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Main Champion Development Limited	I	2	1	100	–
Markshing Investment Limited		2	1	–	100
Medley Investment Limited					
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	100	–	100
Mightymark Investment Limited		2	1	100	–
Mount Sherpa Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	10	–	100
Nation Team Development Limited		2	1	–	100
Paillard Investment Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	100	–	100
Tactwin Development Limited	I	1,000	1	100	–
Wellfine Development Limited		55	1	100	–
Wiselin Investment Limited	I	2	1	–	100

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(f) Investment holding (continued)					
(ii) Incorporated in Hong Kong and operates in mainland China					
Hang Seng Quarry Company Limited	I	10,000	1	64	–
(iii) Incorporated and operates in the British Virgin Islands					
Cobase Limited	I	1	–	–	100
Comax Investment Limited		1	US$1	–	100
Multiglade Holdings Limited	I	1	US$1	–	100
Richful Resources Limited	I	1	US$1	–	100
Starland International Limited	I	1	US$1	100	–
Sunnice Investment Limited		1	US$1	–	100
Threadwell Limited	I	1	US$1	–	100
(iv) Incorporated in the British Virgin Islands and operates in Hong Kong					
Higgins Holdings Limited	I	1	US$1	–	100
Hinlon Limited		1	US$1	–	100

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(g) Department store operations					
Incorporated and operates in Hong Kong					
Citistore (Hong Kong) Limited	I	1	1	–	100

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(h) Hotel and service apartment management and operations					
Incorporated and operates in Hong Kong					
Henderson Hotel Management Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Newton Hotel Hong Kong Limited	I				
– Ordinary shares		2	1	–	100
– Non-voting deferred shares		2	1	–	100
Newton Inn (North Point) Limited	I	2	1	100	–
Newton Place Hotel Limited	I	1	1	–	100

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(i) Management and agency services					
Incorporated and operates in Hong Kong					
Henderson Property Agency Limited		200,000	1	–	100
Henderson Real Estate Agency Limited	I	2	100	100	–

	Note	Particulars of issued shares: Number of ordinary shares	Par value HK$	% of shares held by: The Company	Subsidiaries
(j) Professional services and others					
Incorporated and operates in Hong Kong					
Megastrength Security Services Company Limited	I				
– Ordinary shares		10,000	1	–	100
– Non-cumulative preference shares		400	1	–	25
Standard Win Limited	I	1	1	–	100

	Note	Issued/ contributed registered capital	% of equity interest held by: The Company	Subsidiaries	% of profit sharing by subsidiaries
(k) Infrastructure					
Established and operates in mainland China					
Sino-Foreign Equity Joint Venture Enterprise					
Hangzhou Henderson Qianjiang Third Bridge Company, Limited		RMB200,000,000	–	60	60
Sino-Foreign Co-operative Joint Venture Enterprise					
Tianjin Jinning Roads Bridges Construction Development Company Limited	II	RMB23,680,000	–	70	70

Notes:

I Companies audited by KPMG.

II The Group can exercise control over these subsidiaries.

The above list gives the principal subsidiaries of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Associates

at 31 December 2010

Details of principal associates, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by		
	The Company	**Subsidiaries**	**Principal activities**
Listed			
The Hong Kong and China Gas Company Limited	–	39.88	Production, distribution and marketing of gas, water and energy related activities
Hong Kong Ferry (Holdings) Company Limited	–	31.36	Property development and investment
Miramar Hotel and Investment Company, Limited	–	44.21	Hotel operation
Unlisted			
Shinning Worldwide Limited (incorporated and operates in the British Virgin Islands)	–	45	Investment holding
Star Play Development Limited	–	33.33	Property investment

The above list gives the principal associates of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Principal Jointly Controlled Entities
at 31 December 2010

Details of principal jointly controlled entities, which are incorporated and operate in Hong Kong unless otherwise stated, are as follows:

	% of equity interest held by		
	The Company	Subsidiaries	Principal activities
Billion Ventures Limited (incorporated and operates in the British Virgin Islands)	–	50	Investment holding
Central Waterfront Property Investment Holdings Limited (incorporated and operates in the British Virgin Islands)	–	34.21	Investment holding
Newfoundworld Holdings Limited	–	20	Property investment and hotel operation
Special Concept Development Limited	–	25	Property development
Teamfield Property Limited	–	49.18	Property development
Topcycle Development Limited	–	50	Property development
Yieldway International Limited	–	50	Property development

The above list gives the principal jointly controlled entities of the Group which, in the opinion of the directors, materially affect the profit or assets of the Group.

Corporate Information

Board of Directors

Executive Directors

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

Non-executive Directors

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

Independent Non-executive Directors

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong

Audit Committee

Kwong Che Keung, Gordon
Professor Ko Ping Keung
Wu King Cheong
Leung Hay Man

Remuneration Committee

Wu King Cheong
Dr. the Hon. Lee Shau Kee, GBM
Lam Ko Yin, Colin
Kwong Che Keung, Gordon
Professor Ko Ping Keung

Company Secretary

Liu Cheung Yuen, Timon

Registered Office

72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Telephone	:	(852) 2908 8888
Facsimile	:	(852) 2908 8838
Internet	:	http://www.hld.com
E-Mail	:	henderson@hld.com

Registrars

Computershare Hong Kong Investor Services Limited
46th Floor, Hopewell Centre
183 Queen's Road East
Hong Kong

Share Listing

The Stock Exchange of Hong Kong Limited
(Stock Code: 12)
(Warrant Code: 879)

Shares are also traded in the United States through an American Depositary Receipt Level 1 Programme (Ticker Symbol: HLDCY
CUSIP Reference Number: 425166303)

Authorised Representatives

Lam Ko Yin, Colin
Liu Cheung Yuen, Timon

Auditor

KPMG

Solicitors

Woo, Kwan, Lee & Lo
Lo & Lo

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
Hang Seng Bank Limited
Bank of China (Hong Kong) Limited
The Bank of East Asia, Limited
Standard Chartered Bank

Group Executives

Lee Shau Kee
GBM, DBA (Hon), DSSc (Hon), LLD (Hon)
General Manager

Lee Ka Kit
JP
Deputy General Manager

Lam Ko Yin, Colin
FCILT, FHKIoD
Deputy General Manager

Lee Ka Shing
Deputy General Manager

Yip Ying Chee, John
LLB, FCIS
Assistant General Manager

Au Siu Kee, Alexander
OBE, ACA, FCCA, FCPA, AAIA, FCIB, FHKIB
Chief Financial Officer

Departmental Executives

Group Business Development Department

Yip Ying Chee, John
LLB, FCIS
Executive Director

Project Management (1) Department

David Francis Dumigan
BSc, C Eng, FICE, FHKIE, RPE
General Manager

Project Management (2) Department

Kwok Man Cheung, Victor
BA (AS), B Arch (Dist), MSc (Con P Mgt),
EMBA, FHKIA, MAPM, RIBA,
Authorised Person (Architect), Registered Architect (HK)
PRC Class 1 Registered Architect Qualification
General Manager

Siu Sing Yeung, Tony
B. Arch (Hons), HKIA
Authorised Person (Architect), Registered Architect (HK)
PRC Class 1 Registered Architect Qualification
Senior Deputy General Manager

Property Development Department

Wong Ho Ming, Augustine
JP, MSc, MEcon, FHKIS, MRICS, MCIArb, RPS (GP)
Executive Director

Leung Shu Ki, Shuki
BA (Hons), MHKIP, MRTPI,
MCIP, RPP (HK), MCILT, MCIArb, AHKIArb
Deputy General Manager

Property Planning Department

Leung Kam Leung
MSc, PGDMS, FHKIS, FRICS, RPS (GP)
General Manager

Construction Department

Wong Wing Hoo, Billy
JP, BSc, FICE, FHKIE, FIHT, FHKIHT, RPE
General Manager

Engineering Department

Cheng Yuk Lun, Stephen
BSc (Eng), C Eng, MICE, MIStructE, MHKIE,
RPE, AP, RSE, RGE, 1RSE-PRC
General Manager

Building Quality Planning Department

Lam Sik Kong, Eddy
General Manager

Sales Department

Lam Tat Man, Thomas
MEM(UTS), DMS, EHKIM, MHIREA
General Manager

Portfolio Leasing Department

Lee Pui Man, Margaret
BHum (Hons)
Senior General Manager

Sit Pak Wing, Patrick
ACIS, FHIREA
General Manager

Property Management Department
Suen Kwok Lam
MH, FHIREA
Executive Director

Special Projects Department
Li Ning
BSc, MBA
Executive Director

Comm. & Ind. Properties Department
Ng Ngok Kwan
General Manager

General Manager Department
Ngai Tung Hai, Karsky
FRICS, MHKIS, AACI
Manager

Finance Department
Lau Yum Chuen, Eddie
Executive Director

Lee King Yue
Executive Director

Kwok Ping Ho, Patrick
BSc, MSc, Post-Graduate Diploma in Surveying, ACIB
Executive Director

Cashier Department
Fung Lee Woon King
Treasurer

Human Resources Department
Lam Ko Yin, Colin
FCILT, FHKIoD
Executive Director

Wong Ying Kin, Frankie
MSc, MBA, BBA, DMS, MIHRM
General Manager

Company Secretarial Department
Liu Cheung Yuen, Timon
BEc, FCPA, CA (Aust), FCS, FCIS
General Manager

Accounts Department
Wong Wing Kee, Christopher
BSc (Econ), ACA
General Manager

Audit Department
Choi Kam Fai, Thomas
B Comm, CMA
General Manager

Information Technology Department
Au Tit Ying
BSc, Grad Dip Com (IS)
General Manager

Corporate Communications Department
Ngan Suet Fong, Bonnie
BBA
General Manager

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at the Harbour View Ballroom, Four Seasons Hotel, 8 Finance Street, Central, Hong Kong on Thursday, 9 June 2011 at 11:30 a.m. to transact the following business:

1. To receive and consider the Audited Accounts and the Reports of the Directors and Auditor for the year ended 31 December 2010.

2. To declare a Final Dividend.

3. To (a) re-elect retiring Directors and (b) approve an additional remuneration at the rate of HK$50,000 per annum for each Independent Non-executive Director acting as member of the Remuneration Committee with effect from 1 January 2011 until the Company in general meeting otherwise determines.

4. To re-appoint Auditor and authorise the Directors to fix Auditor's remuneration.

5. To consider as special business and, if thought fit, pass the following resolutions as Ordinary Resolutions:

(A) "**THAT**:

(a) subject to paragraph (b) of this Resolution, the exercise by the Directors during the Relevant Period (as defined in paragraph (c) of this Resolution) of all the powers of the Company to repurchase ordinary shares of HK$2.00 each in the capital of the Company on The Stock Exchange of Hong Kong Limited ("Stock Exchange") or on any other stock exchange on which the shares of the Company may be listed and recognised by the Stock Exchange and the Securities and Futures Commission for this purpose, subject to and in accordance with all applicable laws and the requirements of the Rules Governing the Listing of Securities on the Stock Exchange or of any other stock exchange as amended from time to time be and is hereby generally and unconditionally approved;

(b) the aggregate nominal amount of the shares of the Company to be repurchased pursuant to the approval in paragraph (a) above shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and

(c) for the purposes of this Resolution, "Relevant Period" means the period from the passing of this Resolution until whichever is the earliest of:

(i) the conclusion of the next Annual General Meeting of the Company;

(ii) the expiration of the period within which the next Annual General Meeting of the Company is required by the Articles of Association of the Company or the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) to be held; and

(iii) the date on which the authority set out in this Resolution is revoked or varied by an ordinary resolution of the Shareholders in general meeting."

(B) “**THAT**:

(a) a general mandate be and is hereby generally and unconditionally given to the Directors to exercise during the Relevant Period (as hereinafter defined) all the powers of the Company to allot, issue and deal with additional shares of the Company and to make or grant offers, agreements or options (including, without limitation, Rights Issue (as hereinafter defined), warrants, bonus warrants, bonds, debentures, notes and other securities convertible into shares in the Company) which would or might require the exercise of such powers either during or after the Relevant Period, provided that the aggregate nominal amount of the share capital of the Company to be allotted, issued and dealt with pursuant to the general mandate herein, otherwise than pursuant to (i) a Rights Issue (as hereinafter defined), or (ii) any option scheme or similar arrangement for the time being adopted for the grant or issue to the employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company, or (iii) an issue of shares in the Company upon the exercise of the subscription rights or conversion rights attaching to any warrants or convertible notes which may be issued by the Company or any of its subsidiaries, or (iv) any scrip dividend pursuant to the Articles of Association of the Company from time to time, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution and the said approval shall be limited accordingly; and

(b) for the purposes of this Resolution:

“Relevant Period” shall have the same meaning as assigned to it under Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting; and

“Rights Issue” means an offer of shares in the capital of the Company or issue of option, warrants or other securities giving the right to subscribe for shares of the Company, open for a period fixed by the Directors of the Company to holders of shares of the Company whose names appear on the Register of Members of the Company (and, where appropriate, to holders of other securities of the Company entitled to the offer) on a fixed record date in proportion to their then holdings of such shares (or, where appropriate, such other securities) as at that date (subject to such exclusions or other arrangements as the Directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory outside Hong Kong).”

(C) “**THAT**:

the general mandate granted to the Directors and for the time being in force to exercise the powers of the Company to allot, issue and deal with additional shares of the Company pursuant to Ordinary Resolution (B) of item no. 5 as set out in the notice convening this Meeting be and is hereby extended by the addition to the aggregate nominal amount of share capital which may be allotted, issued and dealt with or agreed conditionally or unconditionally to be allotted, issued and dealt with by the Directors pursuant to such general mandate an amount representing the aggregate nominal amount of shares in the capital of the Company repurchased by the Company since the granting of the said general mandate pursuant to the exercise by the Directors of the powers of the Company to repurchase such shares under the authority granted pursuant to Ordinary Resolution (A) of item no. 5 as set out in the notice convening this Meeting provided that such amount shall not exceed 10 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of this Resolution.”

6. To consider as special business and, if thought fit, pass the following resolution as a Special Resolution:

"**THAT**:

the Articles of Association of the Company be and are hereby amended in the following manner:

(a) Article 133

(i) by adding the words "a majority in number of" immediately before the words "all the directors" in the 4th line and also immediately before the words "all the members of the committee" in the 5th line; and

(ii) by adding the following words immediately after the words "without the need for any notice" in the 6th line:

", provided that the signature by a Director or by a member of the committee of Directors (where appropriate) who is not entitled to vote under these Articles, shall not be counted."

(b) Article 166(b)

(i) by adding the words "(where appropriate, by way of electronic communication as described in Article 170)" immediately before the words " to every member of " in the 6th line; and

(ii) by deleting all references to the word "printed"."

By Order of the Board
Timon LIU Cheung Yuen
Company Secretary

Hong Kong, 15 April 2011

Registered Office:
72-76/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

Notes:

(1) *At the above Meeting, the Chairman will exercise his power under Article 80 of the Articles of Association to put each of the resolutions to be voted by way of a poll.*

(2) *A Member of the Company entitled to attend and vote at the above Meeting is entitled to appoint one or more proxies to attend and on a poll, to vote instead of him. A proxy need not be a member. Form of proxy and the power of attorney or other authority, if any, under which it is signed (or a notarially certified copy of that power of authority) must be lodged at the registered office of the Company at 72-76/F., Two International Finance Centre, 8 Finance Street, Central, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.*

(3) *For the purpose of determining Shareholders who qualify for the proposed final dividend, the Register of Members and the Register of Warrantholders of the Company will be closed from Wednesday, 27 April 2011 to Friday, 29 April 2011, both days inclusive during which period no transfers of shares or warrants (including the exercise of the subscription rights thereof) will be registered. In order to qualify for the proposed final dividend, (i) in case of shareholders, all transfer documents accompanied by the relevant share certificates or (ii) in case of warrantholders, all subscription forms accompanied by the relevant warrant certificates and exercise money, must be lodged for registration with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 26 April 2011. The proposed final dividend will be paid to Shareholders whose names appeared on the Register of Members of the Company on Friday, 29 April 2011.*

(4) *For the purpose of determining Shareholders who are entitled to attend and vote at the above Meeting, the Register of Members of the Company will be closed from Tuesday, 7 June 2011 to Thursday, 9 June 2011, both days inclusive. In order to qualify for attending the above Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Registrars, Computershare Hong Kong Investor Services Limited, Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 3 June 2011.*

(5) *A circular containing details of the proposed amendments to the Company's Articles of Association and an explanatory statement containing further details concerning Ordinary Resolution (A) of item 5 above, and a circular containing the proposed scrip dividend scheme will be sent to members for perusal.*

(6) *Concerning Ordinary Resolutions (B) and (C) of item 5 above, approval is being sought from Members, as a general mandate in compliance with Section 57B of the Companies Ordinance and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, that in the event it becomes desirable for the Company to issue any new shares of the Company, the Directors are given flexibility and discretion to allot and issue new shares up to 20 per cent. of the issued share capital plus the number of shares repurchased by the Company pursuant to the general mandate approved in Ordinary Resolution (A) of item 5 above. Save as disclosed (if any), the Directors, however, have no immediate plans to issue any new shares of the Company under the said mandate being sought.*

Financial Calender

Interim Results	Announced on Thursday, 26 August 2010
Final Results	Announced on Thursday, 17 March 2011
Annual Report	Posted to Shareholders on Friday, 15 April 2011
Book Close	(1) Register of Shareholders and Register of Warrantholders To be closed from Wednesday, 27 April 2011 to Friday, 29 April 2011, for the purpose of determining Shareholders who qualify for the proposed final dividend (with an option for scrip dividend) (2) Register of Shareholders To be closed from Tuesday, 7 June 2011 to Thursday, 9 June 2011, for the purpose of determining Shareholders who are entitled to attend and vote at the Annual General Meeting
Annual General Meeting	To be held on Thursday, 9 June 2011
Dividends – Interim	HK$0.30 per share (with an option for scrip dividend) – paid on Friday, 15 October 2010
– Final (Proposed)	HK$0.70 per share (with an option for scrip dividend) – payable on Friday, 10 June 2011

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Environmentally friendly paper has been used in the production of this annual report.

恒基兆業地產有限公司
HENDERSON LAND DEVELOPMENT COMPANY LIMITED