Hutchison Harbour Ring

(Stock Code: 715)

A Hutchison Whampoa Company

Annual Report 2009

CORPORATE INFORMATION

CHAIRMAN

FOK Kin-ning, Canning, BA, DFM, CA (Aus)

DEPUTY CHAIRMAN

LAI Kai Ming, Dominic, BSc, MBA
(Also Alternate to CHOW WOO Mo Fong, Susan)

EXECUTIVE DIRECTORS

CHAN Wen Mee, May (Michelle), BBA
(Managing Director)
CHOW WOO Mo Fong, Susan, BSc
CHOW Wai Kam, Raymond, JP, BA, B.Arch., AP-List 1
Edith SHIH, BSE, MA, MA, EdM, Solicitor, FCIS, FCS(PE)
(Also Alternate to FOK Kin-ning, Canning)
ENDO Shigeru, BA

NON-EXECUTIVE DIRECTOR

Ronald Joseph ARCULLI, GBS, CVO, OBE, JP

INDEPENDENT NON-EXECUTIVE DIRECTORS

KWAN Kai Cheong, BA, CA (Aus)
(Also Alternate to Ronald Joseph ARCULLI)
LAM Lee G., BSc, MSc, MBA, DPA, LLB (Hons), LLM, PCLL, PhD, FHKIoD
(Also Alternate to LAN Hong Tsung, David)
LAN Hong Tsung, David, Member-CPPCC, GBS, ISO, JP

AUDIT COMMITTEE

KWAN Kai Cheong *(Chairman)*
Ronald Joseph ARCULLI
LAM Lee G.

REMUNERATION COMMITTEE

FOK Kin-ning, Canning *(Chairman)*
KWAN Kai Cheong
LAM Lee G.

COMPANY SECRETARY

Edith SHIH

AUDITOR

PricewaterhouseCoopers

BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Standard Chartered Bank (Hong Kong) Limited

CONTENTS

CHAIRMAN'S STATEMENT

Harbour Ring Plaza, Shanghai

FINANCIAL RESULTS

The Group's consolidated profit attributable to the shareholders for the year ended 31 December 2009 ("the year") was HK$188.1 million (2008: HK$2,009.4 million) and basic earnings per share for the year was HK2.10 cents (2008: HK22.46 cents).

Revenue for the year decreased by 65% to HK$272.0 million (2008: HK$767.0 million) and earnings before interest expense and tax ("EBIT") for the year decreased to HK$221.6 million (2008: HK$2,288.5 million). Excluding the gain on disposal of investments and others of HK$158.3 million (2008: HK$2,046.7 million) and profit on revaluation of investment properties of HK$0.8 million (2008: HK$98.3 million), the EBIT for the year decreased by 56% to HK$62.5 million compared to HK$143.6 million in 2008. The EBIT decline for the year was mainly due to the decrease in rental income in the Property Division subsequent to the disposal of certain property holding subsidiaries and reduced sales in the Technology Division, partially offset by the improved results contributed by the Licensing and Sourcing Division and an overall decrease in operating costs during the year.

The Group's finance costs for the year were HK$2.7 million (2008: HK$3.0 million). The tax charge for the year was HK$22.9 million (2008: HK$71.0 million), due to the profit decline.

DIVIDEND

The board of Directors (the "Board") is pleased to recommend the payment of a final dividend of HK2.2 cents per share for the year (2008: HK2.2 cents per share) to shareholders whose names appear on the Registers of Members of the Company on 7 May 2010. The proposed final dividend will be paid on 10 May 2010 following the approval at the Annual General Meeting.

BUSINESS OVERVIEW

The Property Division continued to contribute stable rental income and profit from its two office and commercial properties in Shanghai.

The aftershocks of the financial tsunami and the slowdown of global handset replacement activities adversely affected the revenue and profitability of the Technology Division for the year. Despite the continuous efforts of this Division to lower the production and operating costs by executing stringent cost control measures and bolstering production efficiency, the surplus production capacity as a result of significant reduction in demand adversely impacted the Division's profitability for the year.

Given the lower fixed cost base resulting from the execution of a cost rationalisation exercise in previous years, the Licensing and Sourcing Division achieved positive EBIT results for the year compared to losses in the previous years.

CHAIRMAN'S STATEMENT

During the year, the Group acquired debt securities issued by a subsidiary of Hutchison Whampoa Limited at a nominal value of USD143.0 million (equivalent to HK$1,108.3 million), providing an effective interest yield of 5%, higher than the prevailing low interest yield on bank deposits. At 31 December 2009, the fair market value of the debt securities was HK$1,210.8 million.

OUTLOOK

In 2010, the Property Division will continue to focus on maintaining satisfactory occupancy rates and rental yields to contribute stable rental income and profit. In the current operating environment, management is currently reviewing the strategic direction and the cost structure of the Technology Division in order to improve the long-term profitability of the Group. The Licensing and Souring Division will continue to focus on its EBIT positive licensing business with a simplified cost structure.

The Group has maintained a healthy balance sheet with cash, cash equivalents and other liquid listed investments of HK$5,948.4 million as at 31 December 2009 (2008: HK$5,969.7 million). With this robust liquidity position, the Group will prudently explore other opportunities for the Group.

On behalf of the Board, I would like to express my gratitude for the hard work and consistent dedication of my fellow directors and employees of the Group. I would also take this opportunity to thank all our shareholders, business partners and customers for their continuous support to the Group.

ClipMusic 802
Bluetooth® stereo headset

Fok Kin-ning, Canning
Chairman

Hong Kong, 5 March 2010

SolarCharger 906

REVIEW OF OPERATIONS

FINANCIAL OVERVIEW

The Group reported consolidated revenue of HK$272.0 million (2008: HK$767.0 million) and consolidated earnings before interest expense and tax ("EBIT") of HK$221.6 million (2008: HK$2,288.5 million) for the year ended 31 December 2009. The results included the gain on disposal of investments and others of HK$158.3 million (2008: HK$2,046.7 million) and profit on revaluation of investment properties of HK$0.8 million (2008: HK$98.3 million). Excluding these items, the consolidated EBIT for the year was HK$62.5 million, representing a 56% decline compared to HK$143.6 million in 2008.

The EBIT decline mainly reflects the decrease in rental income contributed by the Property Division subsequent to the disposal of certain subsidiaries in May 2008; reduced sales in the Technology Division as a result of softening market demands for Bluetooth® devices and mobile handset accessories; partially offset by the improved EBIT results from the Licensing and Sourcing Division and the overall savings in operating costs during the year.

Harbour Ring Huang Pu Centre, Shanghai

PROPERTY DIVISION

The results of the Property Division for the year were significantly less than last year due to the disposal of certain subsidiaries holding an investment property in 2008. Excluding the effect of this transaction and the profit on revaluation of investment properties of HK$0.8 million (2008: HK$98.3 million), the remaining two office and commercial premises of the Division recorded a 2% revenue growth to HK$84.3 million and delivered a 0.5% increase in EBIT to HK$71.2 million for the year which is attributable to increased average rental rates and appreciation of the Renminbi.

REVIEW OF OPERATIONS

TECHNOLOGY DIVISION

VoiceClip 308
Bluetooth® headset

The Technology Division encountered a difficult market following the outbreak of the financial crisis in the last quarter of 2008. The global demand for the Bluetooth® products and other mobile handset accessories remained weak due to the sluggish global economy and weakening consumer spending. The Division reported a 68% revenue decline to HK$159.7 million (2008: HK$493.2 million) and a loss before interest expense and tax ("LBIT") of HK$52.4 million (2008: HK$4.9 million, excluding a provision for fixed assets impairment of HK$39.5 million).

SolarVoice 908
solar-chargeable
Bluetooth® headset

In view of the global economic downturn and the reduction of global handset replacement activities, the Division has diversified its revenue streams, catering to demands in different markets ranging from economical to premium high-end products with advanced technologies. Continuous efforts have also been focused on the execution of cost saving measures and production efficiency enhancements. Nonetheless, the profitability of the Division was still hampered by significant order reduction and surplus production capacity.

LICENSING AND SOURCING DIVISION

The Licensing and Sourcing Division reported a 61% revenue decline to HK$28.0 million for the year from HK$71.5 million in 2008, mainly resulting from the decrease in sales of mascots relating to the Beijing 2008 Olympic Games.

The Division achieved a turnaround from LBIT of HK$63.2 million in 2008 to an EBIT of HK$21.9 million in 2009. Excluding a one-time gain on reduction of licence fees payable of HK$17.7 million (2008: Nil) and last year's impairment provision on licence rights amounting to HK$55.1 million, the Division recorded an EBIT of HK$4.2 million compared to the LBIT of HK$8.1 million in 2008.

2009 has been another difficult year and the results were achieved through the concerted efforts of management and employees. I would like to join our Chairman in expressing my sincere gratitude and appreciation for their efforts and contributions throughout the year.

Chan Wen Mee, May (Michelle)
Managing Director

Hong Kong, 5 March 2010

CAPITAL RESOURCES AND OTHER INFORMATION

CAPITAL RESOURCES AND LIQUIDITY

As at 31 December 2009, the Group's total cash and cash equivalents, liquid funds together with other listed investments amounted to HK$5,948.4 million (2008: HK$5,969.7 million).

As at 31 December 2009, the Group's total borrowings were HK$40.0 million (2008: HK$48.5 million), which were the loans from minority shareholders of the Group's subsidiaries.

TREASURY POLICIES

As at 31 December 2009, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CHARGES AND CONTINGENT LIABILITIES

As at 31 December 2009 and 31 December 2008, the Group had no charges on its assets.

There was no guarantee provided by the Group as at 31 December 2009 and 31 December 2008.

HUMAN RESOURCES

As at 31 December 2009, excluding associated companies, the Group employed 1,172 people (2008: 2,125). Total employee costs for the year ended 31 December 2009, including directors' emoluments, amounted to HK$87.0 million (2008: HK$252.9 million).

The salary and benefit levels of Group employees are competitive and individual performance is rewarded through the Group's salary and bonus system. Remuneration packages are reviewed annually during the year.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

FOK Kin-ning, Canning, aged 58, has been a Director since 1992 and the Chairman since 2002. He is also the Chairman of the Remuneration Committee of the Company. Mr Fok is an executive director and the group managing director of Hutchison Whampoa Limited ("HWL"). He is the chairman of Hutchison Telecommunications International Limited, Hutchison Telecommunications Hong Kong Holdings Limited, Hutchison Telecommunications (Australia) Limited and Hongkong Electric Holdings Limited and the co-chairman of Husky Energy Inc. He is also the deputy chairman of Cheung Kong Infrastructure Holdings Limited, a non-executive director of Cheung Kong (Holdings) Limited ("CKH") and a director of Hutchison International Limited ("HIL") and Promising Land International Inc. ("Promising Land"). CKH, HWL, HIL and Promising Land are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is also a member of the Australian Institute of Chartered Accountants.

LAI Kai Ming, Dominic, aged 56, has been a Director since 1994 and a Deputy Chairman since 2001. He is also an Alternate Director to Mrs Chow Woo Mo Fong, Susan. He is an executive director of Hutchison Whampoa Limited ("HWL"), a non-executive director of Hutchison Telecommunications Hong Kong Holdings Limited, a director of Hutchison International Limited ("HIL") and Hutchison Telecommunications (Australia) Limited and an alternate director of Promising Land International Inc. ("Promising Land"). HWL, HIL and Promising Land are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. He has over 26 years of management experience in different industries. He also holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

CHAN Wen Mee, May (Michelle), aged 45, has been the Managing Director since 2006. She joined the Group as an Executive Director in 2001 and became the Deputy Managing Director in 2005. Ms Chan has extensive experience in managing property development and investment businesses in Mainland China. She also holds directorships in certain companies controlled by Hutchison Whampoa Limited, including Hutchison E-Commerce Limited, BigboXX.com Limited, ESD Services Limited, Hutchison-Priceline Limited and Metro Broadcast Corporation Limited. Ms Chan is a member of the Hong Kong Toys Council and a member of the Hong Kong Exporter's Association. At the same time, she serves as the Vice President of The Toys Manufacturers' Association of Hong Kong. She holds a Bachelor's degree in Business Administration.

CHOW WOO Mo Fong, Susan, aged 56, has been an Executive Director since 2001. She is an executive director and the deputy group managing director of Hutchison Whampoa Limited ("HWL"). She is also an executive director of Cheung Kong Infrastructure Holdings Limited and Hongkong Electric Holdings Limited, a non-executive director of Hutchison Telecommunications International Limited, Hutchison Telecommunications Hong Kong Holdings Limited and TOM Group Limited, a director of Hutchison Telecommunications (Australia) Limited, Hutchison International Limited ("HIL") and Uptalent Investments Limited ("Uptalent"). HWL, HIL and Uptalent are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. She is a solicitor and holds a Bachelor's degree in Business Administration.

CHOW Wai Kam, Raymond, *JP*, aged 62, has been an Executive Director since 2001. He is the group managing director of Hutchison Whampoa Properties Limited and Harbour Plaza Hotel Management (International) Limited. He holds a degree of Bachelor of Arts in Architectural Studies and a degree of Bachelor of Architecture from the University of Hong Kong. He is a Registered Architect and List 1 Authorised Person.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Edith SHIH, aged 58, has been an Executive Director and the Company Secretary since 2001. She is also an Alternate Director to Mr Fok Kin-ning, Canning. She is the head group general counsel and company secretary of Hutchison Whampoa Limited ("HWL"). She is also a non-executive director of Hutchison China MediTech Limited, a director of Hutchison International Limited ("HIL") as well as director and company secretary of various HWL group companies. HWL and HIL are substantial shareholders of the Company within the meaning of Part XV of the Securities and Futures Ordinance. Ms Shih is a member of the Standing Committee on Company Law Reform and the Council of The Hong Kong Institute of Certified Public Accountants. She is Vice President of The Hong Kong Institute of Chartered Secretaries and Chairman of its Education Committee. She is also a member of the Listing Committee of The Stock Exchange of Hong Kong Limited. She holds a Bachelor of Science degree in Education, Master of Arts degrees and a Master of Education degree. Ms Shih is a qualified solicitor in Hong Kong, England and Wales and Victoria, Australia and a Fellow of both The Institute of Chartered Secretaries and Administrators and The Hong Kong Institute of Chartered Secretaries.

ENDO Shigeru, aged 75, has been an Executive Director since 2002. He is also a non-executive director of Hutchison China MediTech Limited. He was the president of Hutchison Whampoa Japan K.K. from 2001 to 2006 and has been its chief executive officer since 2007. He has spent over 40 years with Mitsui (former senior executive managing director and a member of the main board of Mitsui Co., Ltd.) and has worked in many geographical areas such as Hong Kong, Beijing and New York. He holds a Bachelor of Arts degree in Economics from Keio University.

Ronald Joseph ARCULLI, *GBS, CVO, OBE, JP*, aged 71, has been a Director since 2001. He is currently a Non-executive Director and a member of the Audit Committee of the Company. Mr Arculli is a senior partner of a firm of solicitors in Hong Kong and an independent non-executive chairman of Hong Kong Exchanges and Clearing Limited. He became a member of the Legislative Council in 1988, representing the Real Estate and Construction functional constituency from 1991 to 2000. He is currently a director of The Community Chest of Hong Kong. Mr Arculli has a distinguished record of public service on numerous government committees and advisory bodies including HKSAR Executive Council, HKSAR Honours Committee, Health and Medical Development Advisory Committee, Non-official Justices of the Peace Selection Committee and West Kowloon Cultural District Authority. He also holds a number of directorships in listed companies in Hong Kong including Hang Lung Properties Limited, HKR International Limited, Hongkong Electric Holdings Limited, SCMP Group Limited, Sino Hotels (Holdings) Limited, Sino Land Company Limited and Tsim Sha Tsui Properties Limited.

KWAN Kai Cheong, aged 60, has been an Independent Non-executive Director since 2004. He is also an Alternate Director to Mr Ronald Joseph Arculli and the Chairman of the Audit Committee and a member of the Remuneration Committee of the Company. He is an independent non-executive director of Hutchison Telecommunications International Limited, SPG Land (Holdings) Limited, Win Hanverky Holdings Limited, Soundwill Holdings Limited and Henderson Sunlight Asset Management Limited (as manager of Sunlight Real Estate Investment Trust) and a non-executive director of China Properties Group Limited and JF Household Furnishings Limited. He is currently the president of Morrison & Company Limited, which is a business consultancy firm. He worked for Merrill Lynch & Co. Inc. ("Merrill Lynch") for over 10 years during the period from 1982 to 1993. His last position with Merrill Lynch was president for its Asia Pacific region. He was also previously the joint managing director of Pacific Concord Holding Limited. He holds a Bachelor of Accountancy (Honours) degree and is a Fellow of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants in Australia and a Fellow of the Hong Kong Institute of Directors. He completed the Stanford Executive Program in 1992.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

LAM Lee G., aged 50, has been an Independent Non-executive Director since 2004. He is also an Alternate Director to Mr Lan Hong Tsung, David and a member of the Audit Committee and Remuneration Committee of the Company. He holds a Bachelor of Science in Mathematics and Sciences, a Master of Science in Systems Science, and a Master of Business Administration, all from the University of Ottawa in Canada, a Post-graduate Diploma in Public Administration from Carleton University in Canada, a Post-graduate Diploma in English and Hong Kong Law and a Bachelor of Law (Hons) from Manchester Metropolitan University in the United Kingdom, a Master of Law from the University of Wolverhampton in the United Kingdom, a Doctor of Philosophy from the University of Hong Kong, and a Post-graduate Certificate in Laws from the City University of Hong Kong. Dr Lam has over 28 years of multinational general management, corporate governance, investment banking, and direct investment experience. He is the chairman of Monte Jade Science and Technology Association of Hong Kong, and serves on the board of a number of publicly-listed companies in the Asia Pacific region. He is a member of the Hong Kong Institute of Bankers, a member of the Young Presidents' Organisation, a Fellow of the Hong Kong Institute of Directors, and a member of the General Committee of the Chamber of Hong Kong Listed Companies.

LAN Hong Tsung, David, *Member-CPPCC, GBS, ISO, JP*, aged 69, has been an Independent Non-executive Director since 2005. He is currently the chairman of David H T Lan Consultants Limited. He is also an independent non-executive director of Cheung Kong Infrastructure Holdings Limited, Hutchison Telecommunications Hong Kong Holdings Limited, ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust), SJM Holdings Limited and Nanyang Commercial Bank, Limited, as well as a senior advisor of Mitsui & Company (Hong Kong) Limited. Mr Lan was the Secretary for Home Affairs of the Hong Kong Special Administrative Region Government till his retirement in July 2000. He had served as civil servant in various capacities for 39 years. He was awarded the Gold Bauhinia Star Medal (GBS) on 1 July 2000. In January 2003, he was appointed National Committee Member of the Chinese People's Political Consultative Conference, the People's Republic of China. Mr Lan is a Chartered Secretary and a Fellow Member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. He received his Bachelor of Arts degree from the University of London and completed the Advanced Management Program (AMP) of the Harvard Business School, Boston. He was also a Visiting Fellow at Queen Elizabeth House, University of Oxford.

CHANGES IN INFORMATION OF DIRECTORS

Pursuant to Rule 13.51(B) of the Listing Rules, the changes in information of directors of the Company since the date of the 2009 Interim Report are set out below:

Name of Director	Details of Changes
Fok Kin-ning, Canning	Resigned as chairman and a director of Partner Communications Company Ltd.* on 28 October 2009
Chan Wen Mee, May (Michelle)	Resigned as a director of Vanda IT Solutions & Systems Management Limited on 5 October 2009
	Total emoluments decreased by HK$169,503 to HK$4,162,560 compared to 2008
Chow Woo Mo Fong, Susan	Resigned as a director of Partner Communications Company Ltd.* on 28 October 2009
Edith Shih	Appointed as member of the Listing Committee of The Stock Exchange of Hong Kong Limited on 5 June 2009
	Elected as Vice President of The Hong Kong Institute of Chartered Secretaries ("HKICS") on 10 December 2009
	Re-appointed as lay member of the Council of The Hong Kong Institute of Certified Public Accountants on 15 December 2009
	Re-appointed as Chairman of the Education Committee of HKICS effective from 1 January 2010
	Re-appointed as member of the Standing Committee on Company Law Reform on 1 February 2010
Ronald Joseph Arculli	Stepped down from the Chairman of Committee on the Review of Post-service Outside Work for Directorate Civil Servants effective from 12 July 2009
	Appointed as Honorary President of Hong Kong Securities Association Limited effective from 1 September 2009
	Appointed as Honorary Fellow of The Hong Kong Institute of Directors effective from 24 November 2009
	Appointed as Fellow of The Hong Kong Management Association effective from 27 November 2009
	Appointed as Member of the Honours Committee of the HKSAR Government effective from 1 January 2010
	Appointed as Vice-Chairman and Director of World Federation of Exchanges effective from 1 January 2010
Kwan Kai Cheong	Became a Fellow of the Hong Kong Institute of Certified Public Accountants

* *a company listed on NASDAQ Global Select Market and on the Tel Aviv Stock Exchange*

REPORT OF THE DIRECTORS

The Directors have pleasure in submitting to shareholders their report and statement of audited accounts for the year ended 31 December 2009.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are shown on pages 97 to 98.

The analysis of the turnover and results by principal activities and geographical locations of the operations of the Company and its subsidiaries (collectively the "Group") during the financial year are set out in note 5 to the accounts.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 42.

DIVIDEND

No interim dividend for the year ended 31 December 2009 was paid and the Directors recommend the declaration of a final dividend at the rate of HK2.2 cents per share payable on Monday, 10 May 2010 to all persons registered as holders of the Company's shares on Friday, 7 May 2010. The Registers of Members will be closed from Friday, 30 April 2010 to Friday, 7 May 2010, both days inclusive.

RESERVES

Particulars on the movements in the reserves of the Company and the Group during the year are set out in note 32 to the accounts and the consolidated statement of changes in equity on pages 49 and 50 respectively.

CHARITABLE DONATIONS

Donations to charitable organisations by the Group during the year amounted to HK$13,000 (2008: HK$20,000).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Particulars of the movements of property, plant and equipment and investment properties are set out in notes 17 and 18 to the accounts, respectively.

PROPERTIES

Particulars of major properties of the Group are set out on pages 100 to 101.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 30 to the accounts.

REPORT OF THE DIRECTORS

DIRECTORS

The board of Directors of the Company (the "Board") as at 31 December 2009 comprised eleven Directors, including (i) seven Executive Directors, namely, Mr Fok Kin-ning, Canning (Chairman), Mr Lai Kai Ming, Dominic (Deputy Chairman), Ms Chan Wen Mee, May (Michelle) (Managing Director), Mrs Chow Woo Mo Fong, Susan, Mr Chow Wai Kam, Raymond, Ms Edith Shih and Mr Endo Shigeru; (ii) one Non-executive Director, namely, Mr Ronald Joseph Arculli; and (iii) three Independent Non-executive Directors, namely, Mr Kwan Kai Cheong, Dr Lam Lee G. and Mr Lan Hong Tsung, David.

In accordance with Bye-laws 112(A) and 112(B) of the Company and pursuant to code provision A.4.2 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), Ms Chan Wen Mee, May (Michelle), Mr Endo Shigeru, Mr Ronald Joseph Arculli and Dr Lam Lee G. will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election. The Company received confirmation from the Independent Non-executive Directors of their independence pursuant to Rule 3.13 of the Listing Rules. The Company considered all the Independent Non-executive Directors as independent.

The Directors' biographical details are set out on pages 7 to 9.

INTEREST IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

DIRECTORS' SERVICE CONTRACT

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 20 May 2004, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, to continue and/or render improved service with the Group, and/or to establish a stronger business relationship between the Group and such participants.

The Directors (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of HK$0.10 each in the share capital of the Company:

(a) any employee/consultant (as to functional areas of finance, business or personnel administration or information technology) or proposed employee/consultant (whether full time or part time, including any Executive Director but excluding any Non-executive Director) (the "Eligible Employee") of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which any member of the Group holds any equity interest;

(b) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;

(c) any supplier of goods or services to any member of the Group or any Invested Entity;

(d) any customer of any member of the Group or any Invested Entity;

(e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;

(f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and

(h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares or other securities of the Group to any person who falls within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The maximum number of shares of the Company to be allotted and issued is as follows:

(a) The maximum number of shares which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or its subsidiaries) in issue from time to time.

(b) The total number of shares of the Company which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 6% of the relevant class of securities of the Company (or its subsidiaries) in issue as at 20 May 2004, being the date of passing the relevant resolution adopting the Share Option Scheme (the "General Scheme Limit"). Based on the number of shares in issue of the Company on 20 May 2004, the General Scheme Limit of the Share Option Scheme is 402,300,015 shares. As at the date of this report, the total number of shares available for issue under the Share Option Scheme is 402,300,015, representing 4.5% of the existing issued share capital of the Company.

REPORT OF THE DIRECTORS

(c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the shareholders of the Company for that purpose) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group will not be counted.

(d) Subject to (a) above and without prejudice to (c) above, the Company may seek separate approval of the shareholders in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

The total number of shares of the Company issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to any one participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the shareholders in a general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted (and options previously granted to such participant) must be fixed before the approval of the shareholders and the date of the board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of offer for the grant of option and notified by the Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date of the offer for the grant of options but shall end in any event not later than ten years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "SEHK") for trade in one or more board lots of the shares of the Company on the date of the offer of grant which must be a business day; (ii) the average closing price of shares of the Company as stated in the SEHK's daily quotations sheet for trade in one or more board lots of shares of the Company for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (iii) the nominal value of the shares of the Company. A nominal consideration of HK$1 is payable on acceptance of the grant of an option.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme becomes unconditional.

REPORT OF THE DIRECTORS

The following share options were outstanding under the Share Option Scheme during the year ended 31 December 2009:

	Grant date	Options held at 1 January 2009	Options granted during the year	Options exercised during the year	Options cancelled/ lapsed during the year	Options held at 31 December 2009	Exercise period (1)	Exercise price per share *HK$*	Share price on the grant date (2) *HK$*	Share price on the exercise date (3) *HK$*
Directors										
Chan Wen Mee, May (Michelle)	3.6.2005	12,000,000	–	–	–	12,000,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
Endo Shigeru	3.6.2005	5,000,000	–	–	–	5,000,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
Kwok Siu Kai, Dennis (4)	3.6.2005	4,000,000	–	–	(4,000,000)	–	3.6.2006 – 2.6.2015	0.822	0.82	N/A
	25.5.2007	4,000,000	–	–	(4,000,000)	–	25.5.2008 – 24.5.2017	0.616	0.61	N/A
Sub-total		*25,000,000*	*–*	*–*	*(8,000,000)*	*17,000,000*				
Other employees	3.6.2005	15,600,000	–	–	(7,700,000)	7,900,000	3.6.2006 – 2.6.2015	0.822	0.82	N/A
	25.5.2007	21,524,000	–	(1,420,000)	(7,236,000)	12,868,000	25.5.2008 – 24.5.2017	0.616	0.61	0.71
Sub-total		*37,124,000*	*–*	*(1,420,000)*	*(14,936,000)*	*20,768,000*				
Total		*62,124,000*	*–*	*(1,420,000)*	*(22,936,000)*	*37,768,000*				

Notes:

(1) The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options.

(2) The stated price was the closing price of the shares quoted on the SEHK on the trading day immediately prior to the date of the grant of the share options.

(3) The stated price was the weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised.

(4) Mr Kwok Siu Kai, Dennis resigned as Executive Director of the Company with effect from 24 January 2009.

The fair value of the granted options estimated in accordance with the Binomial valuation model is disclosed in Note 31 to the accounts.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2009 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

(I) Master Agreement for HHR Supplies and HWL Supplies

On 12 December 2008, the Company entered into an agreement (the "HWL Master Agreement") with Hutchison International Limited ("HIL", a wholly owned subsidiary of Hutchison Whampoa Limited ("HWL", the ultimate holding company of the Company)) setting the framework terms for provision of the "HHR Supplies" and the "HWL Supplies" (both as respectively defined in the HWL Master Agreement) between the Group on the one hand and HIL, its subsidiaries and entities controlled, directly or indirectly, as to no less than 50% by HIL, other than the Group (collectively the "HWL Group") on the other hand for a term of three years from 1 January 2009 to 31 December 2011 (the "HWL Master Agreement Relevant Period").

The "HHR Supplies" were the supplies to be provided by the Group to the HWL Group more particularly described in the definition of that expression in the HWL Master Agreement and included plastic products, moulds and related toolings; mobile phone accessories and related products; licensed products; games; personal accessories; gifts and premium products, novelties, fine arts and collectibles; electrical and electronic products; home appliances; household products; paper products, publishing products, stationeries, office supplies; fabrics, garment and textile, footwear, fashion and leather; beauty and health products; sports goods; pet products; product design services; sales referral; marketing, distribution and outsourcing services.

The "HWL Supplies" were the supplies to be provided by the HWL Group to the Group more particularly described in the definition of that expression in the HWL Master Agreement and included mobile handsets; premium; distilled water, food and beverages, groceries; stationeries, office supplies; printing services, telecommunications and Internet services; administrative, legal, consultancy, management, insurance support services, hotel services, travel and transportation services; letting and leasing services all relating to property, and marketing, advertising and promotional services.

The Company announced on 12 December 2008 that it had set the maximum aggregate annual value of (i) the HHR Supplies and (ii) the HWL Supplies for the year ended 31 December 2009 at (i) HK$9,000,000; and (ii) HK$36,000,000 respectively by reference to the factors as announced.

Each of HIL and other members of the HWL Group is a connected person of the Company by virtue of being an associate of HWL, a substantial shareholder of the Company. Accordingly, the provision of the HHR Supplies and the acquisition of the HWL Supplies by or to the Group during the HWL Master Agreement Relevant Period constituted or are expected to constitute continuing connected transactions of the Company for the purpose of the Listing Rules.

(II) Master Agreement for Group Supplies and HTHKH Group Supplies

In connection with the separate listing of the shares of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH", a subsidiary of HWL) on the SEHK on 8 May 2009, the Company announced on the same day the entering into of an agreement (the "HTHKH Master Agreement") with HTHKH on 17 April 2009 setting the framework terms for the provision of the "Group Supplies" and the "HTHKH Group Supplies" (both as described below and defined in the HTHKH Master Agreement) between the relevant members of the Group on one hand and the relevant members of HTHKH (the "HTHKH Group") on the other hand for a period of three (3) years commencing from 8 May 2009 to 7 May 2012 ("HTHKH Master Agreement Relevant Period").

REPORT OF THE DIRECTORS

The Group Supplies and the HTHKH Group Supplies had been subject to the HWL Master Agreement as described in (I) above.

The "Group Supplies" were the supplies by the Group to HTHKH Group of (i) mobile phone accessories and related products (including handsets, batteries, chargers, data cable, adaptors, connectors, mobile music stands, carry cases, premiums, memory cards and Bluetooth® accessories); (ii) consumer electronics products (including Digital Audio Broadcast Radios, MP3 players and Personal Multi-media Players); and (iii) marketing, advertising and promotional services.

The "HTHKH Group Supplies" were the supplies by HTHKH Group to the Group of the (i) mobile telecommunications services (including local voice, IDD and roaming services and other value-added services); and (ii) telecommunications and Internet services (including local and international fixed-line telecommunications services, Internet access bandwidth with value-added services, and Internet and web-hosting services).

The Company announced on 8 May 2009 that it had set the maximum aggregate annual value of (i) Group Supplies; and (ii) HTHKH Group Supplies for the period from 8 May 2009 to 31 December 2009 at (i) HK$1,500,000; and (ii) HK$1,400,000 respectively by reference to the factors as announced.

Each of HTHKH and its subsidiaries is a connected person of the Company by virtue of being an associate of HWL, a substantial shareholder of the Company. Accordingly, the transactions contemplated under the HTHKH Master Agreement during the HTHKH Master Agreement Relevant Period constituted or are expected to constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(III) Master Agreement for Acquisition of Connected Debt Securities

On 9 April 2009, the Company entered into the conditional Master Agreement (the "CCT Master Agreement") with HWL pursuant to which the Company or its subsidiaries may acquire the Connected Debt Securities issued by the Connected Issuers (both as described below and defined in the CCT Master Agreement). The parties agree that the Company or its subsidiaries may acquire in the secondary market the Connected Debt Securities subject to, inter alia, the Company obtaining all applicable approvals (including the CCT Approval (as described below and defined in the CCT Master Agreement), if applicable).

The consideration for the Connected Debt Securities will be on normal commercial terms to be determined with reference to market prices quoted on financial data providers (such as Bloomberg), which will be updated from time to time to reflect the ask/bid prices quoted by independent third parties (such as banks, debt securities dealers and institutional investors) having regard to the prevailing credit spread, market liquidity and counterparty risk, where applicable, accrued coupons of the Connected Debt Securities and will be settled in accordance with the terms of the Connected Issuers as may be applicable from time to time. For the other terms of the Connected Debt Securities, they would have been determined by the relevant Connected Issuers at the time such securities were first issued.

REPORT OF THE DIRECTORS

The cap applicable to the transactions contemplated under the CCT Master Agreement and effected during the CCT Relevant Period (as described below and defined in the CCT Master Agreement) shall be subject to the following limitations:

(i) the Net Connected Debt Securities Position (as described below and defined in the CCT Master Agreement) during the CCT Relevant Period shall not exceed 20% of the aggregate value of the subject issue and all outstanding Connected Debt Securities of the same issuer with the same maturity or shorter maturities; and

(ii) the Net Connected Debt Securities Position of the Group at any time during the CCT Relevant Period shall not exceed the lower of: (a) HK$1.2 billion, and (b) 20% of the Company's "unaudited consolidated net liquid assets" as at the last day of the immediately preceding calendar quarter (the "Reference Date"). For this purpose, the Company's "unaudited consolidated net liquid assets" as at the Reference Date shall mean the aggregate value of the cash, deposits and marketable securities (including for the avoidance of doubt any Connected Debt Securities held at the time all valued at their respective fair market values as at such date) held by the Company or any entity which is accounted for and consolidated in the accounts of the Company as subsidiaries as at the Reference Date less the aggregate value of any such assets which are subject to pledges or other encumbrances as at Reference Date. The above formulation was determined as the cap for any acquisition of the Connected Debt Securities to avoid any undue concentration in a single issue of Connected Debt Securities and to achieve a reasonable degree of diversification, which is in line with the market practice as opined by the Independent Financial Adviser.

"Connected Debt Securities" means such bonds, notes, commercial paper or other similar debt instruments as are or to be issued by any of the Connected Issuers pursuant to the CCT Master Agreement.

"CCT Relevant Period" means the period from the obtaining of the CCT Approval (as described below and defined in the CCT Master Agreement) until the earlier of: (i) the conclusion of the next annual general meeting of the Company; and (ii) the date on which the authority set out in the CCT Approval is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.

"Net Connected Debt Securities Position" means the aggregate gross purchase price of Connected Debt Securities of a particular issue to be acquired, after deducting any net sale proceeds of Connected Debt Securities sold, by the Group.

The Connected Issuers are connected persons of the Company by virtue of being either a substantial shareholder of the Company or an associate thereof. The transactions underlying the CCT Master Agreement entered into during the CCT Relevant Period constituted or are expected to constitute continuing connected transactions for the Company and were approved by the shareholders of the Company by poll at the annual general meeting of the Company held on 15 May 2009 at which HWL and its associates abstained from voting under the Listing Rules (the "CCT Approval").

REPORT OF THE DIRECTORS

(IV) New Sub-Tenancy Agreement

On 28 March 2006, Hutchison Harbour Ring Industries Limited ("HHRI", an indirect wholly owned subsidiary of the Company) as tenant entered into a sub-tenancy agreement with Tremayne Investments Limited ("TIL", an indirect wholly owned subsidiary of HWL) as landlord for the lease and use as the principal office of the Group of the whole of the 5th Floor (Units 501 and 502) of Harbourfront Landmark, No. 11 Wan Hoi Street, Hung Hom, Kowloon, Hong Kong for a term of three years from 27 March 2006 (the "Existing Term").

Following expiry of the Existing Term, vacant possession of Unit 502 was delivered up by HHRI and on 20 May 2009, HHRI entered into a new sub-tenancy agreement (the "New Sub-Tenancy Agreement") with TIL for the lease and use of Unit 501 as the principal office of the Group for a term of thirty months and fifteen days from 16 April 2009 to (and including) 30 October 2011 (the "New Term"). Under the New Sub-Tenancy Agreement, the aggregate monthly rental and service fees payable by HHRI to TIL throughout the New Term are HK$277,830 (exclusive of service charges, the extra air-conditioning service charges and Government rent and rates) and HK$92,610 (subject to adjustment resulting from any increase of the operating costs in relation to the supply of air conditioning and provision of management services) respectively.

The Company announced on 20 May 2009 that it had set the maximum aggregate annual consideration payable to TIL under the New Sub-Tenancy Agreement for the period from 16 April 2009 to 31 December 2009 at HK$3,500,000 by reference to the factors as announced.

TIL is a connected person of the Company by virtue of being an associate of HWL, a substantial shareholder of the Company. The new sub-tenancy under the New Sub-Tenancy Agreement constitutes a continuing connected transaction of the Company under the Listing Rules.

All the Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions for the year ended 31 December 2009 and confirmed that they were entered into by the Group (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the auditor of the Company has confirmed in a letter to the Board to the effect that the above continuing connected transactions entered into during the year ended 31 December 2009 (i) have been approved by the Board; (ii) were in accordance with the pricing policies of the Group if transactions involved provision of goods and services by the Group; (iii) were carried out in accordance with the terms of the relevant agreements governing them; and (iv) did not exceed the respective annual caps applicable to them.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2009, the interests and short positions of the Directors and chief executive 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 (the "SFO")) which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

(I) Interests and short positions in the shares, underlying shares and debentures of the Company

Long positions in the shares and underlying shares of the Company

Name of Director	Capacity	Nature of interests	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	5,000,000 [(1)]	–	5,000,000	0.05585%
Chan Wen Mee, May (Michelle)	Beneficial owner	Personal interest	–	12,000,000 [(2)]	12,000,000	0.13405%
Endo Shigeru	Beneficial owner	Personal interest	80,000	5,000,000 [(2)]	5,080,000	0.05675%

Notes:

(1) Such shares were held by a company which is equally owned by Mr Fok Kin-ning, Canning and his spouse.

(2) These represented the interests in underlying shares in respect of the share options granted by the Company, the details of which are set out in the section titled "Share Options Scheme" on pages 12 to 15.

REPORT OF THE DIRECTORS

(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations

(A) Long positions in the shares and underlying shares of Hutchison Whampoa Limited ("HWL")

Name of Director	Capacity	Nature of interests	Number of shares of the Company held in HWL	Total	Approximate % of shareholding of HWL
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	4,810,875 [(1)]	4,810,875	0.11284%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	50,000	0.00117%
Chan Wen Mee, May (Michelle)	Beneficial owner	Personal interest	531	531	0.00001%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	150,000	0.00352%
Edith Shih	(i) Beneficial owner (ii) Interest of spouse	(i) Personal interest (ii) Family interest	(i) 37,200) (ii) 7,400)	44,600	0.00105%
Endo Shigeru	Beneficial owner	Personal interest	2,000	2,000	0.00005%
Ronald Joseph Arculli	Interest of a controlled corporation	Corporate interest	11,224 [(2)]	11,224	0.00026%
Lan Hong Tsung, David	Beneficial owner	Personal interest	20,000	20,000	0.00047%

Notes:

(1) Such shares in HWL were held by a company which is equally owned by Mr Fok Kin-ning, Canning and his spouse.

(2) Such shares in HWL were held by a company which is beneficially owned by Mr Ronald Joseph Arculli.

(B) Long positions in the shares, underlying shares and debentures of other associated corporations

As at 31 December 2009, Mr Fok Kin-ning, Canning had the following interests:

(i) 5,100,000 ordinary shares, representing approximately 0.038% of the issued share capital, in Hutchison Telecommunications (Australia) Limited comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively;

(ii) corporate interests in 1,202,380 ordinary shares, representing approximately 0.025% of the issued share capital, in Hutchison Telecommunications International Limited ("HTIL");

REPORT OF THE DIRECTORS

(iii) corporate interests in 1,202,380 ordinary shares, representing approximately 0.025% of the issued share capital, in Hutchison Telecommunications Hong Kong Limited ("HTHKH");

(iv) corporate interests in a nominal amount of US$1,216,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited;

(v) corporate interest in a nominal amount of US$4,000,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited; and

(vi) corporate interest in a nominal amount of US$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited.

Mr Fok Kin-ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally owned by Mr Fok and his spouse.

As at 31 December 2009, Mrs Chow Woo Mo Fong, Susan in her capacity as a beneficial owner had the following personal interests:

(i) 250,000 ordinary shares, representing approximately 0.005% of the issued share capital, in HTIL; and

(ii) 250,000 ordinary shares, representing approximately 0.005% of the issued share capital, in HTHKH.

As at 31 December 2009, Ms Edith Shih in her capacity as a beneficial owner had the following personal interests:

(i) a nominal amount of US$292,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited;

(ii) a nominal amount of GBP200,000 in the 6.75% Guaranteed Bonds due 2015 issued by Hutchison Ports (UK) Finance Plc;

(iii) a nominal amount of EUR200,000 in the 4.625% Notes due 2016 issued by Hutchison Whampoa Finance (06) Limited; and

(iv) a nominal amount of US$300,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited.

Save as disclosed above, as at 31 December 2009, none of the Directors and chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the SEHK.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to the Directors and chief executive of the Company, as at 31 December 2009, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

(I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

Long positions in the shares of the company

Name	Capacity	Number of shares of the Company held	Total	Approximate % of shareholding of the Company
Li Ka-shing	Founder of discretionary trusts and interest of controlled corporations	6,399,728,952 (1),(2),(3)	6,399,728,952	71.49%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	6,399,728,952 (1),(2),(3)	6,399,728,952	71.49%
Li Ka-Shing Unity Trustee Corporation Limited ("LKSUTC")	Trustee and beneficiary of a trust	6,399,728,952 (1),(2),(3)	6,399,728,952	71.49%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTCO")	Trustee	6,399,728,952 (1),(2),(3)	6,399,728,952	71.49%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	6,399,728,952 (1),(2),(3)	6,399,728,952	71.49%
Hutchison Whampoa Limited ("HWL")	Interest of controlled corporations	6,399,728,952 (1),(2)	6,399,728,952	71.49%
Hutchison International Limited ("HIL")	Interest of controlled corporations	6,399,728,952 (1),(2)	6,399,728,952	71.49%
Promising Land International Inc. ("Promising Land")	Beneficial owner	4,155,284,508 (1)	4,155,284,508	46.42%
Uptalent Investments Limited ("Uptalent")	Beneficial owner	2,244,444,444 (2)	2,244,444,444	25.07%

REPORT OF THE DIRECTORS

Notes:

(1) Promising Land is a wholly owned subsidiary of HIL, which in turn is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 4,155,284,508 shares of the Company held by Promising Land.

(2) Uptalent is a wholly owned subsidiary of HIL, which in turn is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 2,244,444,444 shares of the Company held by Uptalent.

(3) Li Ka-Shing Unity Holdings Limited, of which each of Mr Li Ka-shing, Mr Li Tzar Kuoi, Victor and Mr Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of LKSUTCO. LKSUTCO as trustee of The Li Ka-Shing Unity Trust, together with certain companies which LKSUTCO as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of LKSUTC as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and LKSUT as trustee of another discretionary trust ("DT2"). Each of LKSUTC and LKSUT holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr Li Ka-shing being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, LKSUT, LKSUTC, LKSUTCO and CKH was deemed to be interested in the 4,155,284,508 and 2,244,444,444 shares of the Company in which Promising Land and Uptalent were interested respectively.

(II) Interests and short positions of other persons in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares of the Company held	Approximate % of shareholding of the Company
Kwok Sau Po	Beneficial owner	806,678,000	9.01%

Saved as disclosed above, as at 31 December 2009, there was no other person (other than the Directors and the chief executive of the Company) who was recorded in the register of the Company as having an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2009, the following Directors of the Company had interests in the following businesses (apart from the Company's businesses) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company conducted during the year ended 31 December 2009 required to be disclosed pursuant to Rule 8.10 of the Listing Rules:

Name	Name of company	Nature of interest	Nature of competing business
Fok Kin-ning, Canning	CKH	Non-executive Director	– Property development and investment
	HWL	Group Managing Director	– Property development and investment
	Cheung Kong Infrastructure Holdings Limited ("CKI")	Deputy Chairman	– Information technology and new technology
Lai Kai Ming, Dominic	HWL	Executive Director	– Property development and investment
Chow Woo Mo Fong, Susan	HWL	Deputy Group Managing Director	– Property development and investment
	CKI	Executive Director	– Information technology and new technology
Chow Wai Kam, Raymond	Hutchison Whampoa Properties Limited	Group Managing Director	– Property development and investment
Edith Shih	HIL	Director	– Property development and investment – Information technology and new technology
Ronald Joseph Arculli	HKR International Limited	Non-executive Director	– Property development and investment
	Sino Land Company Limited	Non-executive Director	– Property development and investment
	Tsim Sha Tsui Properties Limited	Non-executive Director	– Property development and investment

As the Board is independent of the boards of directors of these entities, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

Save as disclosed above, as at 31 December 2009, none of the Directors or their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

REPORT OF THE DIRECTORS

BORROWINGS

Details of the Group's borrowings are set out in note 29(a) to the accounts.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during the year.

PRE-EMPTIVE RIGHTS

There was no provisions for pre-emptive rights under the Bye-laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 99.

RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 14 to the accounts.

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2009 attributable to the Group's major customers and suppliers were as follows:

	Percentage of the Group's	
	Total Sales	**Total Purchases**
The largest customer	11.6%	N/A
Five largest customers combined	33.3%	N/A
The largest supplier	N/A	20.5%
Five largest suppliers combined	N/A	47.3%

None of the Directors, their associates or any shareholders (which, to the knowledge of the Directors, own more than 5% of the Company's share capital) had any interest in the major customers and suppliers noted above.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

As at the date of this report, based on information available to the Company and within the knowledge of the Directors of the Company, the public float capitalisation amounted to approximately HK$2,582 million, representing 28.53% of the issued share capital of the Company.

AUDITOR

The accounts have been audited by PricewaterhouseCoopers, who will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditor of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

Edith Shih
Director and Company Secretary

Hong Kong, 5 March 2010

CORPORATE GOVERNANCE REPORT

The Company strives to attain and maintain the highest standards of corporate governance as it believes that effective corporate governance practices are fundamental to enhancing shareholder value and safe guarding interests of shareholders and other stakeholders. Accordingly, the Company has adopted sound corporate governance principles that emphasise a quality board of Directors (the "Board"), effective internal control, stringent disclosure practices and transparency and accountability. It is, in addition, committed to continuously improving these practices and inculcating an ethical corporate culture.

The Company is fully compliant with the code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). It has also adopted a number of recommended practices stated therein for the year ended 31 December 2009. The key corporate governance principles and practices of the Company are as follows:

THE BOARD

The Board is responsible for directing the strategic objectives of the Company and overseeing the management of the business. Directors are charged with the task of promoting the success of the Company and making decisions in the best interest of the Company.

The Board, led by the Chairman, Mr Fok Kin-ning, Canning, approves and monitors wide strategies and policies, annual budgets and business plans, evaluates the performance of the Company, and supervises the management of the Company (the "Management"). Management is responsible for the day-to-day operations of the Group under the leadership of the Managing Director.

As at 31 December 2009, the Board comprised eleven Directors, including the Chairman, the Deputy Chairman, the Managing Director, four Executive Directors, one Non-executive Director and three Independent Non-executive Directors. Biographical details of the Directors are set out in the Directors and Senior Management Section on pages 7 to 9.

For a Director to be considered independent, the Board must be satisfied that the Director does not have any direct or indirect material relationship with the Group. In determining the independence of Directors, the Board follows the requirements of the Listing Rules and considers all of the Independent Non-Executive Directors as independent.

The role of the Chairman and the Deputy Chairman are separate from that of the Managing Director. Such division of responsibilities helps to reinforce their independence and accountability.

The Chairman, assisted by the Deputy Chairman, Mr Lai Kai Ming, Dominic, is responsible for providing leadership to, and overseeing the functioning of, the Board to ensure that it acts in the best interests of the Group and that Board meetings are planned and conducted effectively. He is responsible for setting the agenda for each Board meeting, taking into account, where appropriate, matters proposed by the Directors and the Company Secretary. With the support of the Executive Directors and the Company Secretary, the Chairman seeks to ensure that all Directors are properly informed of issues arising at Board meetings and provided with adequate and accurate information in a timely manner. The Chairman also actively encourages Directors to be fully engaged in the Board's affairs and contribute to the Board's functions. In addition to Board meetings, the Chairman holds regular meetings with Executive Directors and at least two meetings with Non-executive Directors annually without the presence of Executive Directors. The Board, under the leadership of the Chairman, has adopted good corporate governance practices and procedures and taken appropriate steps to provide effective communication with shareholders and other stakeholders, as outlined later in the Report.

The Managing Director, Ms Chan Wen Mee, May (Michelle), is responsible for managing the businesses of the Group, attending to the formulation and successful implementation of Group policies and assuming full accountability to the Board for all Group operations. Acting as the principal manager of the Group's businesses, the Managing Director attends to developing strategic operating plans that reflect the longer-term objectives and priorities established by the Board and is directly responsible for maintaining the operational performance of the Group. Working with the Finance Director, Mr Yim Ka Chun, other Executive Directors and the executive management team of each core business division, the Managing Director presents annual budgets to the Board for consideration and approval, and ensures that the Board is fully apprised of the funding requirements of the businesses of the Group. With the assistance of the Finance Director, the Managing Director sees to it that the funding requirements of the businesses are met and closely monitors the operating and financial results of the businesses against plans and budgets, taking remedial action when necessary. She maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors, keeping them fully informed of all major business development and issues. She is also responsible for building and maintaining an effective executive team to support her in her role.

The Board meets regularly, and at least four times a year with meeting dates scheduled at the beginning of the year. Between scheduled meetings, senior management of the Group provides information to Directors on a regular basis with respect to the activities and development in the businesses of the Group. Throughout the year, Directors participate in the consideration and approval of routine and operational matters of the Company by way of circular resolutions with supporting explanatory materials, supplemented by additional verbal and/or written information or notification from the Company Secretary and other executives as and when required. Details of material or notable transactions of subsidiary and associated companies are provided to the Directors as appropriate. Whenever warranted, additional Board meetings are held. In addition, Directors have full access to information on the Group and independent professional advice at all times whenever deemed necessary by the Directors and they are at liberty to propose appropriate matters for inclusion in Board agendas. Furthermore, the Non-executive Directors (including the Independent Non-executive Directors) meet with the Chairman at least once a year without the presence of the Executive Directors.

With respect to regular meetings of the Board, Directors receive written notice of the meeting generally about a month in advance and an agenda with supporting Board papers no less than three days prior to the meeting. For other meetings, Directors are given as much notice as is reasonable and practicable in the circumstances. Except for those circumstances permitted by the Bye-laws of the Company, a Director who has a material interest in any contract, transaction, arrangement or any other kind of proposal put forward to the Board for consideration abstains from voting on the relevant resolution and such Director is not counted for quorum determination purposes.

CORPORATE GOVERNANCE REPORT

The Board held four meetings in 2009 with 100% attendance of its members.

	Name of Director	Attended/Eligible to attend
Chairman	Fok Kin-ning, Canning	4/4
Executive Directors	Lai Kai Ming, Dominic *(Deputy Chairman)*	4/4
	Chan Wen Mee, May (Michelle) *(Managing Director)*	4/4
	Chow Woo Mo Fong, Susan	4/4
	Chow Wai Kam, Raymond	4/4
	Edith Shih	4/4
	Endo Shigeru	4/4
Non-executive Director	Ronald Joseph Arculli	4/4
Independent Non-executive Directors	Kwan Kai Cheong	4/4
	Lam Lee G.	4/4
	Lan Hong Tsung, David	4/4

In addition to regular Board meetings, the Chairman held two meetings with Non-executive Directors (including Independent Non-executive Directors) during the year.

All Non-executive Directors are appointed for a term of 12 months, subject to renewal and re-election as and when required under the Listing Rules and the Bye-laws of the Company. However, any Director who is appointed by the Board to fill a casual vacancy shall hold office until the next general meeting of the Company, or in the case of an additional appointment, until the next annual general meeting of the Company, and shall be eligible for re-election at the relevant general meeting. All Directors are subject to retirement from office by rotation and re-election by shareholders at the annual general meeting at least about once every three years on a rotation basis in accordance with the Bye-laws of the Company. A retiring Director is eligible for re-election and re-election of retiring Directors at general meetings is dealt with by separate individual resolutions.

None of the Directors who is proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation). Where vacancies arise at the Board, candidates are proposed and put forward to the Board for consideration and approval, with the objective of appointing to the Board individuals with expertise in the businesses of the Group and leadership qualities so as to complement the capabilities of the existing Directors thereby enabling the Company to retain as well as improve its competitive position.

Upon appointment to the Board, Directors receive a package of orientation materials on the Group and are provided with a comprehensive induction to the Group's businesses by senior executives. Continuing education and information are provided to Directors regularly to help ensure that Directors are apprised of the latest changes in the commercial, legal and regulatory environment in which the Group conducts its businesses.

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the "Model Code") as the Group's code of conduct regarding Directors' securities transactions. In response to specific enquiries made of them, all Directors confirmed that they have complied with the Model Code in their securities transactions throughout 2009.

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board is supported by two permanent board committees; the Audit Committee and the Remuneration Committee, details of which are described later in this report. The terms of reference for these Committees adopted by the Board are published on the Company's website (www.hutchisonharbourring.com). Other board committees are established by the Board as and when warranted to take charge of specific chores.

COMPANY SECRETARY

The Company Secretary, Ms Edith Shih, is responsible to the Board for ensuring that Board procedures are followed and Board activities are efficiently and effectively conducted. These objectives are achieved through adherence to proper Board processes and the timely preparation and dissemination to Directors comprehensive meeting agendas and papers. Minutes of all Board meetings and Board Committee meetings are prepared and maintained by the Company Secretary to record in sufficient details the matters considered and decisions reached by the Board or Committee, including any concerns raised or dissenting views voiced by any Director. The minutes are available for inspection by any Director at any reasonable time and on reasonable notice.

The Company Secretary is responsible for ensuring that the Board is fully apprised of all legislative, regulatory and corporate governance developments relating to the Group and that it takes these into consideration when making decisions for the Group. From time to time, she organises seminars on specific topics of significance and disseminates relevant reference materials to the Directors for their information.

The Company Secretary is also directly responsible for the Group's compliance with all obligations of the Listing Rules and Codes on Takeovers and Mergers and Share Repurchases, including the preparation, publication and despatch of annual reports and interim reports within the time limits laid down in the Listing Rules, the timely dissemination to shareholders and the market of information relating to the Group.

Furthermore, the Company Secretary advises the Directors on their obligations for disclosure of interests in securities, connected transactions and price-sensitive information and ensures that the standards and disclosures required by the Listing Rules are observed and, where required, reflected in the annual report of the Company.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The annual and interim results of the Company are published in a timely manner and within three months and two months respectively of the year end and interim periods.

The responsibility of Directors in relation to the financial statements is set out below. It should be read in conjunction with, but distinguished from, the Independent Auditor's Report on pages 40 to 41 which acknowledges the reporting responsibility of the Group's Auditor.

Annual Report and Accounts

The Directors acknowledge their responsibility for the preparation of the Annual Report and financial statements of the Company to ensure that these financial statements give a true and fair presentation in accordance with Hong Kong Companies Ordinance and the applicable accounting standards.

CORPORATE GOVERNANCE REPORT

Accounting Policies

The Directors consider that in preparing the financial statements, the Group has applied appropriate accounting policies that are consistently adopted and made judgements and estimates that are reasonable and prudent in accordance with the applicable accounting standards.

Accounting Records

The Directors are responsible for ensuring that the Group keeps accounting records which disclose the financial position of the Group upon which financial statements of the Group could be prepared in accordance with the Group's accounting policies.

Safeguarding Assets

The Directors are responsible for taking all reasonable and necessary steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities within the Group.

Going Concern

The Directors, having made appropriate enquiries, are of the view that the Group has adequate resources to continue in operational existence for the foreseeable future and that, for this reason, it is appropriate for the Group to adopt the going concern basis in preparing the financial statements.

Audit Committee

The Audit Committee, comprises two Independent Non-executive Directors and one Non-executive Director who possess relevant business and financial management experience and skills to understand financial statements and contribute to the financial governance, internal controls and risk management of the Company. It is chaired by Mr Kwan Kai Cheong with Mr Ronald Joseph Arculli and Dr Lam Lee G. as members.

The Audit Committee has reviewed and updated its terms of reference taking into account the amendments made to the Listing Rules which took effect on 1 January 2009. Under the terms of reference of the Audit Committee, it is required to oversee the relationship between the Company and the external auditors, review the Group's preliminary results, interim results and annual financial statements, monitor compliance with statutory and Listing Rules requirements, review the scope, extent and effectiveness of the activities of the internal audit function of the Group's holding company, engage independent legal or other advisers as it determines is necessary and perform investigations of all its members.

The Audit Committee held four meetings in 2009 with 100% attendance of its members.

Name of Member	**Attended/Eligible to attend**
Kwan Kai Cheong *(Chairman)*	4/4
Ronald Joseph Arculli	4/4
Lam Lee G.	4/4

CORPORATE GOVERNANCE REPORT

During the year, the Audit Committee met with the Finance Director and other senior management of the Group to review the interim and final results and the Interim Report and Annual Report of the Group. It considers and discusses the reports and presentations of Management, the Group's internal and external auditors, with a view of ensuring that the Group's consolidated financial statements are prepared in accordance with accounting principles generally accepted in Hong Kong. It also meets with the Group's principal external auditor, PricewaterhouseCoopers ("PwC"), to consider their reports on the scope and outcome of their independent review of the interim financial report and their annual audit of the consolidated financial statements. In addition the Audit Committee holds regular private meetings with the external auditor, Finance Director and internal auditor separately without the presence of the Management.

The Audit Committee assists the Board in meeting its responsibilities for maintaining an effective system of internal control. It reviews the process by which the Group evaluates its control environment and risk assessment process, and the way in which business and control risks are managed. It reviews with the internal auditor of the Group's holding company the work plan for their audits on the Group together with their resource requirements and considers the internal auditor's reports to the Audit Committee on the effectiveness of internal controls in the Group business operations. In addition, it also receives a report from the Company Secretary on the Group's compliance status on regulatory requirements. These reviews and reports are taken into consideration by the Audit Committee when it makes its recommendation to the Board for approval of the consolidated financial statements for the year.

External Auditors

The Audit Committee reviews and monitors the external auditors' independence and objectivity and effectiveness of the audit process. It receives each year a letter from PwC confirming their independence and objectivity and holds meetings with PwC to consider the scope of their audit, approve their fees, and the scope and appropriateness of non-audit services, if any, to be provided by them. The Audit Committee also makes recommendations to the Board on the appointment and retention of the external auditors.

The Group's policy regarding the engagement of PwC for the various services listed below is as follows:

- Audit services – includes audit services provided in connection with the audit of the consolidated financial statements. All such services are to be provided by external auditors.

- Audit related services – includes services that would normally be provided by an external auditor but not generally included in audit fees, for example, audits of the Group's pension plans, due diligence and accounting advice related to mergers and acquisitions, internal control reviews of systems and/or processes, and issuance of special audit reports for tax or other purposes. The external auditors are to be invited to undertake those services that they must or are best placed to undertake in their capacity as auditors.

- Taxation related services – includes all tax compliance and tax planning services, except for those services which are provided in connection with the audit. The Group uses the services of the external auditors where they are best suited. All other significant taxation related work is undertaken by other parties as appropriate.

- Other services – includes, for example, audits or reviews of third parties to assess compliance with contracts, risk management diagnostics and assessments, and non-financial systems consultations. The external auditors are also permitted to assist management and the internal auditors of the Group's holding company with internal investigations and fact-finding into alleged improprieties. These services are subject to specific approval by the Audit Committee.

- General consulting services – the external auditors are not eligible to provide services involving general consulting work.

CORPORATE GOVERNANCE REPORT

An analysis of the fees of PwC and other external auditors is shown in note 6 to the accounts. In the year ended 31 December 2009, the fees paid to PwC were primarily for audit and audit related services.

INTERNAL CONTROL AND GROUP RISK MANAGEMENT

The Board has overall responsibility for the Group's system of internal control and assessment and management of risks.

In meeting its responsibility, the Board seeks to increase risk awareness across the Group's business operations and has put in place policies and procedures, including the parameters of delegated authority, which provide a framework for the identification and management of risks. It also reviews and monitors the effectiveness of the systems of internal control to ensure that the policies and procedures in place are adequate. Reporting and review activities include review by the Executive Directors and the Board and approval of detailed operational and financial reports, budgets and plans provided by the management of the business operations, review by the Board of actual results against budget, review by the Audit Committee of the ongoing work of the internal audit and risk management functions of the Group's holding company, as well as the regular business reviews by Executive Directors and the executive management team of each core business division.

Whilst these procedures are designed to identify and manage risks that could adversely impact the achievement of the Group's business objectives, they do not provide absolute assurance against material mis-statement, errors, losses or fraud.

Internal Control Environment

The Board is overall responsible for monitoring the operations of the businesses within the Group. Executive Directors are appointed to the boards of all material operating subsidiaries and associates for monitoring those companies, including attendance at board meetings, review and approval of business strategies, budgets and plans, and setting of key business performance targets. The executive management team of each core business division is accountable for the conduct and performance of each business in the division within the agreed strategies and similarly the management of each business is accountable for its conduct and performance.

The Group's internal control procedures include a comprehensive system for reporting information to the executive management teams of each core business and the Executive Directors.

Business plans and budgets are prepared annually by the management of individual businesses and subject to review and approval by both the executive management teams and the Executive Directors as part of the Group's five-year corporate planning cycle. Reforecasts for the current year are prepared on a quarterly basis, reviewed for variances to the budget and for approval. When setting budgets and forecasts, management identifies, evaluates and reports on the likelihood and potential financial impact of significant business risks.

The Executive Directors review monthly management reports on the financial results and key operating statistics of each business and hold monthly meetings with the executive management team and senior management of business operations to review these reports, business performance against budgets, forecasts, significant business risk sensitivities and strategies. In addition, finance managers of business operations attend monthly meetings with the Finance Director and members of the Group Finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

CORPORATE GOVERNANCE REPORT

The Group maintains a centralised cash management system for its subsidiary operations and the Group's Finance Department oversees the Group's investment and lending activities. Treasury reports on the Group's cash and liquid investments, borrowings and movements thereof are distributed weekly.

The Finance Director has established guidelines and procedures for the approval and control of expenditures. Operating expenditures are subject to overall budget control and are controlled within each business with approval levels for such expenditures being set by reference to the level of responsibility of each executive and officer. Capital expenditures are subject to overall control within the annual budget review and approval process, and more specific control and approval prior to commitment by the Finance Director or Executive Directors are required for unbudgeted expenditures and material expenditures within the approved budget. Quarterly reports of actual versus budgeted and approved expenditures are also reviewed.

The General Manager of the internal audit function of the Group's holding company, reporting directly to the Audit Committee, provides independent assurance as to the existence and effectiveness of the risk management activities and controls in the Group's business operations worldwide. Using risk assessment methodology and taking into account the dynamics of the Group's activities, internal audit derives its yearly audit plan, which is reviewed by the Audit Committee, and reassessed during the year as needed to ensure that adequate resources are deployed and the plan's objectives are met. The internal audit function of the Group's holding company is responsible for assessing the Group's internal control system, formulating an impartial opinion on the system, and reporting its findings to the Audit Committee, the Finance Director and the senior management concerned as well as following up on all reports to ensure that all issues have been satisfactorily resolved. In addition, a regular dialogue is maintained with the Group's external auditors so that both are aware of the significant factors which may affect their respective scope of work.

Depending on the nature of business and risk exposure of individual business units, the scope of work performed by the internal audit function of the Group's holding company includes financial and operations reviews, recurring and surprise audits, fraud investigations and productivity efficiency reviews.

Reports from the external auditors on internal controls and relevant financial reporting matters are presented to the General Manager of the internal audit function of the Group's holding company, and, as appropriate, to the Finance Director. These reports are reviewed and appropriate actions are taken.

Review of Internal Control Systems

The Board, through the Audit Committee, has conducted a review of the effectiveness of the Group's internal control systems for the year ended 31 December 2009 covering all material financial, operational and compliance controls and risk management functions and is satisfied that such systems are effective and adequate.

Legal Compliance

The Legal Department of the Group has the responsibility of safeguarding the legal interests of the Group. It monitors the day-to-day legal affairs of the Group, including preparing, reviewing and approving all legal and corporate secretarial documentation of Group companies, working in conjunction with finance, corporate secretarial and business unit personnel on the review and co-ordination process, and advising management of legal and commercial issues of concern. In addition, the Legal Department of the Group is also responsible for overseeing regulatory compliance matters of all Group companies. It analyses and monitors the regulatory framework within which the Group operates, including reviewing applicable laws and regulations and preparing and submitting response to relevant regulatory and/or government consultations. The

CORPORATE GOVERNANCE REPORT

Legal Department of the Group reports to the Legal Department of the Group's holding company on all material legal, regulatory and corporate secretarial matters and it determines and approves in conjunction with the Legal Department of the Group's holding company, the engagement of external legal advisors, ensuring the requisite professional standards are maintained as well as most cost effective services are rendered. Further, the Legal Department of the Group's holding company organises and holds continuing education seminars/conferences on legal and regulatory matters of relevance to the Group for its legal counsels.

Group Risk Management

The Managing Director and the Group Risk Management Department of the Group's holding company have the responsibility of developing and implementing risk mitigation strategies including the deployment of insurance to transfer the financial impact of risks. The Group Risk Management Department of the Group's holding company, working with the business operations worldwide, is responsible for arranging appropriate insurance coverage and organising Group wide risk reporting. Directors and Officers Liability Insurance is also in place to protect Directors and officers of the Group against their potential legal liabilities.

Workplace Safety

The Group is committed to providing a healthy and safe workplace for all its employees and complying with all applicable health and safety laws and regulations. Health and safety considerations are incorporated into the design, operations and maintenance of the Group's premises. Employees are provided appropriate job skills and safety training and are educated with regard to their responsibilities for achieving the health and safety objectives of the Group. The Group also communicates with its employees on occupational health and safety issues.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

The Remuneration Committee comprises three members with expertise in human resources and personnel emoluments. The Committee is chaired by the Chairman Mr Fok Kin-ning, Canning with Mr Kwan Kai Cheong and Dr Lam Lee G., both Independent Non-executive Directors, as members. The Committee meets towards the end of each year for the determination of the remuneration packages of Directors and senior management of the Group. In addition, the Committee also meets as and when required to consider remuneration related matters.

The responsibilities of the Remuneration Committee are to assist the Board in achieving its objective of attracting, retaining and motivating employees of the highest calibre and experience needed to shape and execute strategy across the Group's substantial, diverse and international business operations. It assists the Group in the administration of a fair and transparent procedure for setting remuneration policies including assessing the performance of Directors and senior executives of the Group and determining their remuneration packages.

All members of the Remuneration Committee met in December 2009 to review background information on market data (including economic indicators, projection of Watson Wyatt's 2010 Salary Increase and 2010 Remuneration Review Guidelines of the Group), the Group's business activities and human resources issues, and headcount and staff costs. At the meeting, the Committee reviewed and approved the proposed 2010 directors' fees of Executive Directors and made recommendation to the Board on the directors' fees for Non-executive Directors. Executive Directors do not participate in the determination of their own remuneration. In January 2010, it also reviewed and approved the 2009 year end bonus and 2010 remuneration package for Executive Directors and senior management of the Company.

CORPORATE GOVERNANCE REPORT

Remuneration Policy

The remuneration of Directors and senior executives is determined with reference to their expertise and experience in the industry, the performance and profitability of the Group as well as remuneration benchmarks from other local and international companies and the prevailing market conditions. Directors and employees also participate in bonus arrangements which are determined in accordance with the performance of the Group and the individual's performance.

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The amounts paid to each Director for 2009 were as below:

Name of Director	Director's Fees *HK$'000*	Basic Salaries, Allowances and Benefits-in-kind *HK$'000*	Discretionary Bonuses *HK$'000*	Provident Fund Contributions *HK$'000*	Employee Share Option Benefits[8] *HK$'000*	Total Emoluments *HK$'000*
Fok Kin-ning, Canning [1]	90 [6]	–	–	–	–	90
Lai Kai Ming, Dominic	70 [6]	–	–	–	–	70
Chan Wen Mee, May (Michelle)	70 [6]	1,948	2,000	145	–	4,163
Chow Woo Mo Fong, Susan	70 [6]	–	–	–	–	70
Chow Wai Kam, Raymond	70 [7]	–	–	–	–	70
Edith Shih	70 [6]	–	–	–	–	70
Endo Shigeru	70 [6]	–	–	–	–	70
Kwok Siu Kai, Dennis [3]	4	194	–	7	–	205
Ronald Joseph Arculli [2],[4]	140	–	–	–	–	140
Kwan Kai Cheong [1],[4],[5]	160	–	–	–	–	160
Lam Lee G. [1],[4],[5]	160	–	–	–	–	160
Lan Hong Tsung, David [5]	70	–	–	–	–	70
Total:	1,044	2,142	2,000	152	–	5,338

Notes:

(1) Members of the Remuneration Committee

(2) Non-executive Director

(3) Resigned with effect from 24 January 2009

(4) Members of the Audit Committee

(5) Independent Non-executive Directors

(6) Paid to Hutchison Whampoa Limited

(7) Paid to Hutchison Whampoa Properties Limited

(8) Share option benefits represent the fair value of share options granted under the Company's Share Option Scheme, which is calculated in accordance with the methodology disclosed in note 2(u) to the accounts. This methodology does not take into account of the actual share price at the date of exercise and whether the share options have been exercised. The significant inputs to the valuation model and details of the share options granted are disclosed in note 31 to the accounts.

CORPORATE GOVERNANCE REPORT

CODE OF CONDUCT

The Group places utmost importance on employees' ethical, personal and professional standards. Every employee is provided with the Group's Code of Conduct booklet, and all employees are expected to adhere to the highest standards set out in the Code of Conduct including avoiding conflict of interest, discrimination or harassment and bribery etc. The employees are required to report any non-compliance with the Code of Conduct to the management.

RELATIONSHIP WITH SHAREHOLDERS AND OTHER STAKEHOLDERS

The Group actively promotes investor relations and communication with the investment community when the interim and year end financial results are announced and during the course of the year. Through its Deputy Chairman, the Group responds to request for information and queries from the investment community.

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, interim and annual reports. Moreover, additional information is also available to shareholders on the Company's website.

Shareholders are encouraged to attend all general meetings of the Company. All shareholders have statutory rights to call for special general meetings and put forward agenda items for consideration by shareholders by sending to the Company Secretary at the head office and principal place of business a written request for such general meetings together with the proposed agenda items. All substantive resolutions at general meetings are decided on a poll which is conducted by the Company Secretary and scrutinised by the Company's Branch Share Registrars. The results of the poll are published on the websites of the Company and The Hong Kong Exchanges and Clearing Limited (the "HKEx"). Financial and other information on the Group is made available on the Company's website, which is regularly updated.

The last shareholders' meeting of the Company was 2009 Annual General Meeting which was held on 15 May 2009 at Harbour Plaza Hong Kong (now known as Harbour Grand Kowloon), Hung Hom, Kowloon, Hong Kong attended by the majority of the Directors including the Chairman of the Board, Audit Committee and Remuneration Committee with attendance rate of approximately 91%. Directors are requested and encouraged to attend shareholders' meetings albeit presence overseas for the Group businesses or unforeseen circumstances might prevent Directors from attending such meetings. Separate resolutions were proposed at that meeting on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 15 May 2009 are set out below:

1. Consideration and approval of the Statement of Audited Accounts, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2008 (100%);

2. Declaration of a final dividend (100%);

3. Re-election of Mr Lai Kai Ming, Dominic (99.98%), Mrs Chow Woo Mo Fong, Susan (99.04%), Mr Chow Wai Kam, Raymond (99.98%), Mr Lan Hong Tsung, David (100%) as Directors of Company; and authorisation of the Board of Directors to fix the Directors' remuneration (100%);

4. Re-appointment of Auditor and authorisation of the Board of Directors to fix the Auditor's remuneration (99.99%);

CORPORATE GOVERNANCE REPORT

5. Granting of a general mandate to the Directors of the Company to allot and issue securities of the Company (98.87%), repurchase shares of the Company (100%), and approve the addition of the repurchased shares to the aggregate nominal share capital that can be allotted (98.87%); and

6. Approval and ratification of the entering into of the Master Agreement dated 9 April 2009 made between the Company and Hutchison Whampoa Limited ("HWL") setting out the basis upon which bonds, notes, commercial paper and other similar debt instruments may be issued by HWL or its subsidiaries and acquired by the Company or its subsidiaries (100%); and authorisation of the Directors to approve acquisition of Connected Debt Securities subject to and in accordance with the prescribed terms and conditions (100%).

All resolutions put to shareholders at that meeting were passed. The results of the voting by poll were published on the websites of the Company and HKEx.

Other corporate information is set out in the "Information for Shareholders" section of this annual report. This includes, among others, dates for key corporate events as well as public float capitalisation as at 31 December 2009.

Information concerning the Group and its business can be located from the Group's website for information of the stakeholders.

The Group values feedback from shareholders on its efforts to promote transparency and foster investor relationships. Comments and suggestions are welcome and can be addressed to the Deputy Chairman by mail to the Group or by e-mail to the Company's website.

By Order of the Board

Edith Shih
Director and Company Secretary

Hong Kong, 5 March 2010

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Hutchison Harbour Ring Limited
(incorporated in Bermuda with limited liability)

We have audited the consolidated accounts of Hutchison Harbour Ring Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 42 to 98, which comprise the consolidated and Company statements of financial position as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS

The directors of the Company are responsible for the preparation and the true and fair presentation of these consolidated accounts in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated accounts based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 as to whether the accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the accounts 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 accounts.

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

INDEPENDENT AUDITOR'S REPORT

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 2009 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 disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 5 March 2010

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Note	**2009 HK$'000**	2008 HK$'000
Continuing operations			
Revenue	5	**272,019**	766,953
Cost of sales		**(182,315)**	(560,707)
Gross profit		**89,704**	206,246
Interest income		**58,008**	95,169
Other gains, net		**159,056**	2,144,999
Administrative expenses		**(71,228)**	(132,419)
Selling and distribution costs		**(13,968)**	(25,446)
Operating profit	6	**221,572**	2,288,549
Finance costs	7	**(2,705)**	(3,028)
Profit before tax		**218,867**	2,285,521
Tax charge	8	**(22,853)**	(70,987)
Profit for the year from continuing operations		**196,014**	2,214,534
Discontinued operation			
Loss for the year from discontinued operation	9	**–**	(179,424)
Profit for the year		**196,014**	2,035,110
Profit attributable to:			
Minority interests		**7,892**	25,692
Shareholders of the Company	10	**188,122**	2,009,418
		196,014	2,035,110
Basic and diluted earnings/(losses) per share attributable to shareholders of the Company	11		
– From continuing operations		**HK2.10 cents**	HK24.46 cents
– From discontinued operation		**–**	HK(2.00) cents
		HK2.10 cents	HK22.46 cents

Details of proposed final dividend payable to shareholders of the Company are set out in Note 12.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	2009 HK$'000	2008 HK$'000
Profit for the year	**196,014**	2,035,110
Other comprehensive income/(expenses):		
Gains on translating accounts of foreign operations:		
– Taken to reserves	**18,884**	251,607
– Transferred to income statement	**(26,778)**	(409,006)
Available-for-sale financial assets:		
– Valuation gains/(losses) taken to reserves	**57,192**	(3,682)
– Valuation gains transferred to income statement	**(8,664)**	–
Surplus on revaluation upon transfer of land and buildings to investment properties	**885**	1,975
Other comprehensive income/(expenses) for the year, net of tax*	**41,519**	(159,106)
Total comprehensive income for the year	**237,533**	1,876,004
Total comprehensive income attributable to:		
Minority interests	**12,618**	33,705
Shareholders of the Company	**224,915**	1,842,299
	237,533	1,876,004

* *There is no tax effect on each component of the other comprehensive income/(expenses) for the year ended 31 December 2009 and 2008.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	**2009 HK$'000**	2008 HK$'000
ASSETS			
Non-current assets			
Licence rights	16	**–**	–
Property, plant and equipment	17	**10,906**	54,823
Investment properties	18	**903,372**	892,079
Leasehold land and land use rights	19	**3,726**	14,247
Investment in an associated company	21	**–**	3,281
Available-for-sale financial assets	22	**1,210,763**	–
Deferred tax assets	28	**–**	2,211
		2,128,767	966,641
Current assets			
Inventories	23	**20,965**	78,351
Trade receivables	24	**16,857**	82,741
Deposits, prepayments and other receivables		**67,204**	153,989
Tax recoverable		**–**	887
Available-for-sale financial assets	22	**3,295**	7,606
Cash and bank deposits	25	**4,734,296**	5,962,122
		4,842,617	6,285,696
Total assets		**6,971,384**	7,252,337

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	30	**895,207**	895,065
Reserves		**5,316,395**	5,288,346
Capital and reserves		**6,211,602**	6,183,411
Minority interests		**113,406**	153,092
Total equity		**6,325,008**	6,336,503
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	28	**130,721**	125,176
Other non-current financial liabilities	29	**51,960**	59,901
		182,681	185,077
Current liabilities			
Trade payables	26	**36,328**	81,074
Deposits received, other payables and accruals	27	**388,348**	605,700
Tax payables		**39,019**	43,983
		463,695	730,757
Total liabilities		**646,376**	915,834
Total equity and liabilities		**6,971,384**	7,252,337
Net current assets		**4,378,922**	5,554,939
Total assets less current liabilities		**6,507,689**	6,521,580

Lai Kai Ming, Dominic
Deputy Chairman

Chan Wen Mee, May (Michelle)
Managing Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	20	**659,099**	659,099
Current assets			
Amounts due from subsidiaries	37(e)	**2,566,853**	1,290,164
Deposits, prepayments and other receivables		**1,930**	1,969
Cash and bank deposits	25	**4,053,612**	5,075,659
		6,622,395	6,367,792
Total assets		**7,281,494**	7,026,891
EQUITY			
Share capital	30	**895,207**	895,065
Reserves	32	**5,887,348**	5,742,977
Total equity		**6,782,555**	6,638,042
LIABILITIES			
Current liabilities			
Other payables and accruals		**11,510**	16,028
Amounts due to subsidiaries	37(e)	**487,429**	372,821
Total liabilities		**498,939**	388,849
Total equity and liabilities		**7,281,494**	7,026,891
Net current assets		**6,123,456**	5,978,943
Total assets less current liabilities		**6,782,555**	6,638,042

Lai Kai Ming, Dominic
Deputy Chairman

Chan Wen Mee, May (Michelle)
Managing Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	Note	2009 HK$'000	2008 HK$'000
Continuing operations			
Operating activities			
Cash generated from operating activities before finance costs, tax paid and changes in working capital	33(a)	**25,127**	63,344
Changes in working capital	33(b)	**92,024**	251,762
Cash generated from continuing operations		**117,151**	315,106
Interest received		**59,839**	93,551
Income tax paid – Hong Kong		**(302)**	(163)
Income tax refund – Hong Kong		**246**	–
Income tax paid – outside Hong Kong		**(14,941)**	(45,378)
Net cash from operating activities		**161,993**	363,116
Investing activities			
Net cash (outflow)/inflow on liquidation/ disposal of subsidiaries	33(c)	**(3,446)**	4,571,501
Increase in bank deposits with maturity over three months		**(204,178)**	–
Purchase of property, plant and equipment		**(2,212)**	(11,572)
Proceeds on disposal of property, plant and equipment		**3,390**	–
Purchase of available-for-sale financial assets		**(1,189,983)**	–
Proceeds on disposal of available-for-sale financial assets		**8,664**	–
Net cash (used in)/generated from investing activities		**(1,387,765)**	4,559,929
Financing activities			
Proceeds from issue of shares		**875**	744
Dividend paid		**(196,914)**	(196,888)
Dividend paid to minority shareholders by subsidiaries		**(10,193)**	–
Net cash used in financing activities		**(206,232)**	(196,144)
(Decrease)/increase in cash and cash equivalents		**(1,432,004)**	4,726,901
Discontinued operation			
Increase in cash and cash equivalents from discontinued operation	9(b)	**–**	167,103
Cash and cash equivalents at 1 January		**5,962,122**	1,068,118
Cash and cash equivalents at 31 December		**4,530,118**	5,962,122

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2009

	2009 **HK$'000**	2008 HK$'000
Analysis of cash, liquid funds and listed investments		
Bank deposits with maturity of less than three months	**4,334,403**	5,669,643
Cash at banks and on hand	**195,715**	292,479
	4,530,118	5,962,122
Bank deposits with maturity over three months	**204,178**	–
Available-for-sale financial assets, overseas listed investments	**1,214,058**	7,606
Total cash, liquid funds and listed investments	**5,948,354**	5,969,728

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to shareholders of the Company							Minority interests	Total
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Other properties revaluation reserve HK$'000	*(Note)* Other reserves HK$'000	Retained profits HK$'000	Sub-total HK$'000	HK$'000	HK$'000
At 1 January 2009	895,065	2,599,715	174,209	1,975	24,648	2,487,799	6,183,411	153,092	6,336,503
Gains on translating accounts of foreign operations:									
– Taken to reserves			14,141	17	–	–	14,158	4,726	18,884
– Transferred to income statement			(26,778)	–	–	–	(26,778)	–	(26,778)
Available-for-sale financial assets:									
– Valuation gains taken to reserves			–	–	57,192	–	57,192	–	57,192
– Valuation gains transferred to income statement			–	–	(8,664)	–	(8,664)	–	(8,664)
Surplus on revaluation			–	885	–	–	885	–	885
Net income/(expenses) recognised directly in equity			(12,637)	902	48,528	–	36,793	4,726	41,519
Profit for the year			–	–	–	188,122	188,122	7,892	196,014
Total comprehensive income/(expenses)			(12,637)	902	48,528	188,122	224,915	12,618	237,533
Relating to subsidiaries disposed of	–	–	–	–	–	–	–	(42,111)	(42,111)
Employee share option benefits	–	–	–	–	(685)	–	(685)	–	(685)
Issue of shares (Note 30)	142	902	–	–	(169)	–	875	–	875
Transfer between reserves	–	–	–	–	(4,798)	4,798	–	–	–
2008 final dividend paid	–	–	–	–	–	(196,914)	(196,914)	–	(196,914)
Dividend paid to minority shareholders	–	–	–	–	–	–	–	(10,193)	(10,193)
At 31 December 2009	895,207	2,600,617	161,572	2,877	67,524	2,483,805	6,211,602	113,406	6,325,008

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2009

	Attributable to shareholders of the Company							Minority interests	Total
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Other properties revaluation reserve HK$'000	*(Note)* Other reserves HK$'000	Retained profits HK$'000	Sub-total HK$'000	HK$'000	HK$'000
At 1 January 2008	894,944	2,598,993	339,621	–	46,648	655,202	4,535,408	123,856	4,659,264
Gains on translating accounts of foreign operations:									
– Taken to reserves			243,594	–	–	–	243,594	8,013	251,607
– Transferred to income statement			(409,006)	–	–	–	(409,006)	–	(409,006)
Available-for-sale financial assets:									
– Valuation losses taken to reserves			–	–	(3,682)	–	(3,682)	–	(3,682)
Surplus on revaluation			–	1,975	–	–	1,975	–	1,975
Net income/(expenses) recognised directly in equity			(165,412)	1,975	(3,682)	–	(167,119)	8,013	(159,106)
Profit for the year			–	–	–	2,009,418	2,009,418	25,692	2,035,110
Total comprehensive income/(expenses)			(165,412)	1,975	(3,682)	2,009,418	1,842,299	33,705	1,876,004
Relating to subsidiaries disposed of	–	–	–	–	–	–	–	(4,469)	(4,469)
Employee share option benefits	–	–	–	–	1,738	–	1,738	–	1,738
Issue of shares (Note 30)	121	722	–	–	(99)	–	744	–	744
Transfer between reserves	–	–	–	–	(19,957)	19,957	–	–	–
Write-back of unclaimed dividends	–	–	–	–	–	110	110	–	110
2007 final dividend paid	–	–	–	–	–	(196,888)	(196,888)	–	(196,888)
At 31 December 2008	895,065	2,599,715	174,209	1,975	24,648	2,487,799	6,183,411	153,092	6,336,503

Note:

Other reserves comprise investment revaluation reserve, share-based compensation reserve, capital redemption reserve, legal reserve and the People's Republic of China ("PRC") statutory reserve.

	Investment revaluation reserve HK$'000	*Share-based compensation reserve HK$'000*	*Capital redemption reserve HK$'000*	*Legal reserve HK$'000*	*PRC statutory reserve HK$'000*	*Total HK$'000*
At 1 January 2008	*11,288*	*12,085*	*3,558*	*493*	*19,224*	*46,648*
At 31 December 2008 and 1 January 2009	***7,606***	***12,071***	***3,558***	***493***	***920***	***24,648***
At 31 December 2009	***56,134***	***7,832***	***3,558***	***–***	***–***	***67,524***

NOTES TO THE ACCOUNTS

1 GENERAL INFORMATION

Hutchison Harbour Ring Limited (the "Company") and its subsidiaries (together, the "Group") were principally engaged in the provision of integrated solutions relating to the design and distribution of mobile phone accessories and other high-end electronic products, property investment as well as licensing and sourcing of consumer products. The Group has a manufacturing plant in Mainland China for its technology products and sales are primarily made to the Asia Pacific, Europe and Hong Kong. The Group also has property investments in Mainland China and earns rental income.

The Company is a limited liability company incorporated in Bermuda and the shares of which are listed on The Stock Exchange of Hong Kong Limited. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

These consolidated accounts are presented in Hong Kong dollars, unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated accounts of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"). These accounts have been prepared under the historical cost convention, as modified by the revaluation of investment properties and available-for-sale financial assets, which are carried at fair value, as explained in the significant accounting policies set out below.

(a) Basis of consolidation

The consolidated accounts include the accounts of the Company and all its subsidiaries made up to 31 December.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The acquisition of subsidiaries is accounted for using the purchase method of accounting.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of shareholders external to the Group in the operating results and net assets of subsidiaries.

(b) Subsidiaries

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies, so as to obtain benefits from their activities.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

In the Company's statement of financial position the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted by the Company on the basis of dividend received and receivable.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Associated companies

Associated companies are entities that are neither a subsidiary nor an interest in a joint venture and over which the Group is in a position to exercise significant influence over its management, including participation in the financial and operating policy decisions. Investments in associated companies are accounted for by the equity method of accounting and are initially recognised at cost.

The Group's share of its associated companies' post-acquisition profits and losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves are recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in associated companies equal or exceed its interests in associated companies, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associated companies.

Unrealised gains on transactions between the Group and its associated companies are eliminated to the extent of the Group's interests in the associated companies. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors that make strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the accounts of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated accounts are presented in Hong Kong dollars, which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the investment revaluation reserve in equity.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Foreign currency translation (Continued)

(iii) Group's entities

The results and financial position of all the Group's entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each income statement are translated at average exchange rates; and

– all resulting exchange differences are recognised in the exchange reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(f) Property, plant and equipment

Property, plant and equipment comprise mainly buildings, leasehold improvements, plant and machinery, furniture, fixtures and equipment, and motor vehicles. Property, plant and equipment are stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised and charged to the income statement. All repairs and maintenance are expensed in the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate their cost less accumulated impairment losses over their estimated useful lives, as follows:

Buildings	21 to 50 years
Leasehold improvements	3 to 10 years or over the term of the relevant leases, whichever is shorter
Plant and machinery	5 to 10 years
Furniture, fixtures and equipment	3 to 10 years
Motor vehicles	5 years

The gain or loss on disposal of a property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement.

The assets' useful lives are reviewed, and adjusted if appropriate, at each date of statement of financial position.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Investment properties

Investment properties are interests in land and buildings that are held for earning rentals or for capital appreciation or both. Investment properties are measured initially at cost and are subsequently carried in the statement of financial position at fair value determined annually by independent professional valuers at the date of the statement of financial position, and are not depreciated. Changes in fair values are recognised in the income statement.

(h) Licence rights

Licence rights comprise of the upfront payments made for acquiring licence on branded goods plus the capitalised present value of fixed periodic payments to be made in subsequent years.

The licences are amortised on a straight-line basis from the date of first commercial usage over the remaining licence periods.

(i) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. At each statement of financial position date subsequent to initial recognition, these financial assets are carried at fair value and changes in fair value are dealt with as movements in the investment revaluation reserve except for impairment losses which are charged to the income statement. Where these investments are interest bearing, interest calculated using the effective interest method is recognised in the income statement. Dividends from available-for-sale investments are recognised when the right to receive payment is established. When available-for-sale investments are sold, the cumulative fair value gains or losses previously reported in investment revaluation reserve is removed from investment revaluation reserve and recognised in the income statement.

(j) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation, which are at least tested annually for impairment and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Assets that are subject to depreciation or amortisation are reviewed to determine whether there is any indication that the carrying value of these assets may not be recoverable and have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Such impairment loss is recognised in the income statement.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

(l) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. Significant financial difficulties of the debtor, probably that the debtor will enter bankruptcy of financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is recognised in the income statement.

(m) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

(n) Borrowings

Borrowings are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised costs. They are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the date of the statement of financial position.

(o) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(p) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the date of the statement of financial position, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax is recognised, using the liabilities method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

(r) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases (including up-front prepayments made for the leasehold land and land use rights) net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

(s) Finance costs

Finance costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other finance costs are charged to the income statement in the year incurred.

(t) Employee benefits

(i) Salaries, bonus, paid annual leave and the cost of other benefits to the Group are accrued in the year in which the associated services are rendered by employees of the Group.

(ii) The Group operates two defined contribution schemes for Hong Kong employees, the assets of which are held in separate administered funds. The Group's contributions to the defined contribution schemes are expensed as incurred and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions.

The Group also contributes on a monthly basis to various defined contribution retirement benefit plans organised by relevant municipal and provincial governments in the PRC. The municipal and provincial governments undertake to assume the retirement benefit obligations payable to all existing and future retired employees for post-retirement benefits beyond the contributions made. The assets of these plans are held separately from those of the Group in independently administered funds managed by the PRC government. Contributions to these plans are expensed as incurred.

(iii) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Share-based compensation

The Group operates an equity-settled, share-based compensation plan. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become vested. At each date of the statement of financial position, the Group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the income statement and a corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(v) Revenue recognition

(i) Sale of goods

Revenue is recognised when goods are delivered to customers which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added or other sales taxes and is after deduction of any trade discounts.

(ii) Rental income from operating leases

Rental income receivable under operating leases is recognised in the income statement 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 granted are recognised in the income statement as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the year in which they are earned.

(iii) Licensing commission income

Licensing commission income is recognised on an accrual basis in accordance with the substance of the relevant agreements.

(w) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(x) Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(y) Dividend distribution

Dividend distribution of the final dividend to the Group’s shareholders is recognised as a liability in the Group’s accounts in the period in which the dividends are approved by the Company’s shareholders.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has adopted all of the new and revised HKFRSs and Interpretations that are effective for annual periods beginning on or after 1 January 2009. There have been no significant changes to the accounting policies applied in the accounts for the year ended 31 December 2009, except for the following adoption:

HKFRS 1 (Revised) "Presentation of Financial Statements" – The revised standard requires presentation of items of income and expenses to be presented separately from owner changes in equity in a statement of comprehensive income. Comparative information has been re-presented to conform with the revised standard.

HKFRS 7 "Financial Instruments – Disclosure (Amendment)" which enhanced disclosures about fair value measurement and liquidity risk by level of a fair value measurement hierarchy as detailed in note 3(c).

HKFRS 8 "Operating Segments" – HKFRS 8 replaces HKAS14 "Segment Reporting" and requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes.

The retrospective adoption of the new and revised HKFRSs has no financial impact on the statement of financial position at 1 January 2008 and 31 December 2008.

At the date of approval of these accounts, the following standards, amendments and interpretations were in issue but not yet effective and have not been early adopted by the Group:

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HK(IFRIC)-Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[2]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]
HKAS 24 (Revised)	Related Party Disclosures[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendment)	Classification of Right Issues[2]
HKAS 39 (Amendment)	Eligible Hedged Items[1]
HKFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[1]
HKFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[1]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[3]
HK Interpretation 4 (Amendments)	Leases – Determination of the Length of Lease Term in Respect of Hong Long Land Leases[1]

1 *Effective for the Group for annual periods beginning 1 January 2010*
2 *Effective for the Group for annual periods beginning 1 January 2011*
3 *Effective for the Group for annual periods beginning 1 January 2013*

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The adoption of standards, amendments and interpretations listed above with the exception of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 17 in future periods is not expected to result in substantial changes to the Group's accounting policies.

The effect of the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HK(IFRIC)-Int 17 that may have on the results and financial position of the Group will depend on the incidence and timing of transactions within the scope of these standards and interpretation occurring on or after 1 January 2010.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, price risk and interest rate risk), credit risk and liquidity risk. Risk management is carried out by senior management of the Group under policies approved by the board of directors of the Company.

(i) Market risk

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from foreign currency exposures, primarily with respect to the US dollar, Hong Kong dollar and Renminbi. The Group's revenue and the majority of its operating costs and cost of sales are denominated in US dollars, Hong Kong dollars and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group has not entered into any derivative instruments to hedge its foreign exchange exposures.

At 31 December 2009, if the Hong Kong dollar had weakened/strengthened by 2% against the US dollar with all other variables held constant, profit for the year would have been HK$83,643,000 (2008: HK$106,836,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated trade receivables and cash and cash equivalents, and exchange losses/gains on translation of US dollar-denominated financial liabilities. Profit is more sensitive to movement in the Hong Kong dollar/US dollar exchange rate in 2009 than 2008 because of the increased amount of US dollar-denominated assets. The Group considers the risk of movements in exchange rates between the Hong Kong dollar and the US dollar to be not significant due to the fact that the Hong Kong dollar and the US dollar are pegged.

At 31 December 2009, if the Hong Kong dollar had weakened/strengthened by 5% against the Renminbi with all other variables held constant, profit for the year would have been HK$1,675,000 (2008: HK$1,065,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of Renminbi-denominated trade receivables, and exchange losses/gains on translation of Renminbi-denominated trade payables. Profit is more sensitive to movement in the Hong Kong dollar/Renminbi exchange rate in 2009 than 2008 because of the increased amount of Renminbi-denominated assets.

NOTES TO THE ACCOUNTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

Price risk

The Group's main market price risk exposures relate to available-for-sale financial assets which are mainly comprised of listed debt securities. The Group closely monitors the price movement and changes in market conditions that may have an impact on the value of these financial assets. The available-for-sale financial assets represented approximately 20% of the Group's total cash, liquid funds and listed investments.

(ii) Interest rate risk

The Group has no significant interest-bearing assets except for cash and bank deposits and the listed debt securities included under available-for-sale financial assets. The interest rate for the listed debt securities was fixed. At 31 December 2009, if interest rates on cash and bank deposits had been 100 basis points higher/lower with all other variables held constant, profit for the year would have been HK$47,343,000 (2008: HK$59,621,000) higher/lower, mainly as a result of higher/lower interest income on floating rate deposits.

The Group has interest bearing liabilities mainly due to minority shareholders. Loans from minority shareholders were issued at fixed rates and exposed the Group to fair value interest rate risk. The finance costs on loans from minority shareholders do not have significant impact to the Group.

(iii) Credit risk

The aggregate sales to the five largest customers represent 33.3% (2008: 59.5%) of total revenue, of which, one (2008: three) customer exceeds 10% of the total revenue.

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. The Group also performs periodic credit evaluations of its customers and believes that adequate provision for doubtful trade receivables has been made in the accounts. Rental deposits are required from tenants prior to the commencement of leases.

The Group has no significant concentration of credit risk. At 31 December 2009, the aggregate balance of the three highest trade and other receivables with individual balance greater than HK$2 million amounted to HK$9,556,000 (2008: four debtors with individual amount greater than HK$10 million, totalled HK$112,751,000) at credit terms ranged from 30 to 90 days, and the total credit limit granted to these three debtors was HK$12,012,000 (2008: four debtors at HK$113,000,000). The Group performs periodic credit evaluations of these debtors to manage the risk.

NOTES TO THE ACCOUNTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk (Continued)

There is no significant credit risk in relation to the Group's cash and cash equivalents and deposits with maturity over three months as cash and bank deposits are placed with reputable banks and financial institutions with good credit ratings. Over 80% of the Group's bank deposits were placed in international financial institutions in London and Singapore with credit ratings of Aa3/AA– to Aa2/AA as at 31 December 2009.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of financial assets.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, senior management of the Group aims to maintain flexibility in funding by keeping committed credit lines available.

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the date of the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Non-contractual payment		Contractual payment			
	Less than 1 year HK$'000	Over 5 years HK$'000	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000
At 31 December 2009						
Trade payables	**–**	**–**	**36,328**	**–**	**–**	**–**
Deposits received, other payables and accruals	**178,239**	**–**	**50,064**	**–**	**–**	**–**
Other non-current financial liabilities	**–**	**40,025**	**–**	**7,800**	**5,850**	**–**
At 31 December 2008						
Trade payables	–	–	81,074	–	–	–
Deposits received, other payables and accruals	281,453	–	41,954	–	–	–
Other non-current financial liabilities	–	39,995	–	7,800	15,600	–

NOTES TO THE ACCOUNTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(b) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total debt divided by total capital. Total debt is calculated as "total borrowings", as shown in the consolidated statement of financial position, including the loan from minority shareholders. Total capital is calculated as "equity", as shown in the consolidated statement of financial position.

The Group's strategy is to maintain a gearing ratio below 5%. The gearing ratios at 31 December 2009 and 2008 were as follows:

	2009 **HK$'000**	2008 HK$'000
Loan from minority shareholders – interest bearing	**40,025**	39,995
Loan from minority shareholders – interest free	**–**	8,458
Total debt	**40,025**	48,453
Total equity	**6,235,008**	6,336,503
Gearing ratio	**0.6%**	0.8%

(c) Fair value estimation

Effective 1 January 2009, the Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the consolidated statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

(ii) Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).

(iii) Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation (Continued)

The following table presents the Group's financial assets that are measured at fair value at 31 December 2009.

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Assets				
Available-for-sale financial assets				
Equity securities	3,295	–	–	3,295
Debt securities	1,210,763	–	–	1,210,763
Total assets	1,214,058	–	–	1,214,058

The fair value of financial instruments traded in active markets is based on quoted market prices at the date of the statement of financial position. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Note 2 to the accounts includes a summary of the significant accounting policies used in the preparation of the accounts. The preparation of accounts often requires the use of judgments to select specific accounting methods and policies from several acceptable alternatives. Furthermore, significant estimates and assumptions concerning the future may be required in selecting and applying those methods and policies in the accounts. The Group bases its estimates and judgments on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgments under different assumptions or conditions.

The following is a review of the more significant assumptions and estimates, as well as the accounting policies and methods used in the preparation of the accounts.

(a) Income taxes

The Group is subject to income taxes mainly in Hong Kong and the PRC, in which new and revised tax laws and regulations are issued from time to time and some of which may take effect on a retrospective basis. Significant judgment is required in determining provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain, in particular for PRC tax, during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues taking into account the existing tax legislations and past practice. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE ACCOUNTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(b) Estimated fair value of investment properties

The fair value of each investment property is determined individually at each date of the statement of financial position by independent professional valuers by reference to comparable market transactions and where appropriate on the basis of capitalisation of the net rental income/net income, after allowing for outgoings and in appropriate cases provisions for reversionary income potential. These methodologies are based upon estimates of future results and a set of assumptions as to income and expenses of the property and future economic conditions. The fair value of each investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

(c) Estimated impairment of non-current assets

The Group tests whether tangible and intangible assets have suffered any impairment. For the purposes of impairment tests, the recoverable amounts of cash-generating units are determined based on value-in-use calculations. The value-in-use calculations primarily use cash flow projections based on five year financial budgets approved by management and estimated terminal value at the end of the five year period. There are a number of assumptions and estimates involved for the preparation of cash flow projections for the period covered by the approved budget and the estimated terminal value. Key assumptions include the expected growth in revenue and gross margin, timing of future capital expenditures, growth rates and selection of discount rates and the earnings multiple that can be realised for the estimated terminal value. Management prepared the financial budgets reflecting actual and prior year performance and market development expectations. The discount rates for the test were based on country specific pre-tax risk adjusted discount rate and ranged from 10% to 15%. Judgment is required to determine key assumptions adopted in cash flow projections and changes to key assumptions can significantly affect these cash flow projections and therefore the results of the impairment tests.

(d) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation expenses for the Group's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

(e) Net realisable values of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may not also be recoverable if the estimated costs to be incurred to make the sale have increased. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgment is required. In making this judgment, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

NOTES TO THE ACCOUNTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (Continued)

(f) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably established.

Management's judgment is required in assessing the quantum of provisions at each date of the statement of financial position, which are made based on an estimation of historical and anticipated claims, the merits of the claims against the Group, and the existence of any obligation under the terms of relevant agreements with the counter parties. The amount of provisions represent management's best estimate of the expenditure required to settle the present obligations. The basis of estimation is reviewed on an on-going basis and revised where appropriate to reflect the current best estimate.

5 REVENUE AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 40.

Revenue represents sales of consumer electronic products and accessories, rental and service income, and licensing commission and other income. The amount of each category of revenue recognised for continuing operations during the year is as follows:

	2009 **HK$'000**	2008 HK$'000
Sales of goods	**178,692**	557,329
Rental and service income from investment properties	**84,308**	202,236
Licensing commission and other income	**9,019**	7,388
	272,019	766,953

Hong Kong Financial Reporting Standard ("HKFRS") 8 "Operating Segments" replaces HKAS 14 "Segment Reporting" with effect from 1 January 2009. HKFRS 8 is a disclosure standard that requires the disclosure of information about the Group's operating segments. It replaces the requirement under HKAS 14 to determine primary (business) and secondary (geographical) reporting segments of the Group. Adoption of this standard did not have any effect on the Group's results of operations or financial position.

The Group has four reportable segments, including property division, technology division, licensing and sourcing division and other corporate division. The Group's toy division was discontinued in 2008. The segments are managed separately as each business offers different products and services and each segment is subject to risks and returns that are different from the others.

Earnings/(losses) before interest expense and tax ("EBIT" or "LBIT") are regarded as segment results in respect of the Group's reportable segments as the directors consider that this can be better reflect the performance of each division. EBIT/(LBIT) is used on the Group's internal financial and management reporting to monitor business performances.

Sales between segments are carried out on terms equivalent to those that prevail in arm's length transactions.

NOTES TO THE ACCOUNTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information:

	Year ended 31 December 2009							
	Property division HK$'000	Technology division HK$'000	Licensing and sourcing division HK$'000	Other corporate division HK$'000	Elimination HK$'000	Total continuing operations HK$'000	Discontinued operation (Toy division) HK$'000	Group HK$'000
Revenue								
Company and subsidiaries								
– External sales	84,308	159,695	28,016	–	–	272,019	–	272,019
– Inter-segment sales	502	18	–	–	(520)	–	–	–
	84,810	159,713	28,016	–	(520)	272,019	–	272,019
Segment results before changes in fair value of investment properties and profits on disposal of investments and others – Company and subsidiaries	71,242	(52,449)	4,210	39,513		62,516	–	62,516
Changes in fair value of investment properties	800	–	–	–		800	–	800
Profits on disposal of investments and others	–	–	17,677	140,579		158,256	–	158,256
Earnings/(losses) before interest expense and tax	72,042	(52,449)	21,887	180,092		221,572	–	221,572
Finance costs	(1,192)	–	(1,513)	–		(2,705)	–	(2,705)
Tax charge	(19,676)	–	(875)	(2,302)		(22,853)	–	(22,853)
Profit for the year						196,014	–	196,014
Segment assets	1,433,724	90,022	83,814	5,363,824		6,971,384	–	6,971,384
Total assets						6,971,384	–	6,971,384
Segment liabilities	253,527	55,384	29,767	97,933		436,611	–	436,611
Loans from minority shareholders	40,025	–	–	–		40,025	–	40,025
Tax payable	38,112	–	421	486		39,019	–	39,019
Deferred tax liabilities	122,674	3,838	5	4,204		130,721	–	130,721
Total liabilities						646,376	–	646,376
Capital expenditure	(19)	(1,646)	(37)	(510)		(2,212)	–	(2,212)
Depreciation of property, plant and equipment	(1,014)	(174)	(71)	(2,879)		(4,138)	–	(4,138)
Amortisation of leasehold land and land use rights	(111)	–	–	–		(111)	–	(111)

5 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information: (Continued)

	Year ended 31 December 2008							
	Property division HK$'000	Technology division HK$'000	Licensing and sourcing division HK$'000	Other corporate division HK$'000	Elimination HK$'000	Total continuing operations HK$'000	Discontinued operation (Toy division) HK$'000	Group HK$'000
Revenue								
Company and subsidiaries								
– External sales	202,236	493,242	71,475	–	–	766,953	947,480	1,714,433
– Inter-segment sales	523	2	251	–	(776)	–	–	–
	202,759	493,244	71,726	–	(776)	766,953	947,480	1,714,433
Segment results before changes in fair value of investment properties and profits on disposal of investments and others								
Company and subsidiaries	173,017	(4,870)	(8,087)	(16,510)		143,550	(26,551)	116,999
Share of result of an associated company	–	–	–	–		–	(283)	(283)
	173,017	(4,870)	(8,087)	(16,510)		143,550	(26,834)	116,716
Changes in fair value of investment properties	98,268	–	–	–		98,268	–	98,268
Profits/(losses) on disposal of investments and others	2,141,307	(39,462)	(55,114)	–		2,046,731	(141,109)	1,905,622
Earnings/(losses) before interest expense and tax	2,412,592	(44,332)	(63,201)	(16,510)		2,288,549	(167,943)	2,120,606
Finance costs	(1,204)	–	(1,824)	–		(3,028)	–	(3,028)
Tax charge	(68,624)	(1,990)	(373)	–		(70,987)	(11,481)	(82,468)
Profit/(loss) for the year						2,214,534	(179,424)	2,035,110
Segment assets	1,410,104	207,262	114,160	5,514,432		7,254,958	–	7,254,958
Investment in an associated company	–	–	–	3,281		3,281	–	3,281
Tax recoverable	–	40	–	847		887	–	887
Deferred tax assets	–	–	–	2,211		2,211	–	2,211
Total assets						7,252,337	–	7,252,337
Segment liabilities	294,595	45,368	38,437	319,822		698,222	–	698,222
Loans from minority shareholders	48,453	–	–	–		48,453	–	48,453
Tax payable	42,389	2	184	1,408		43,983	–	43,983
Deferred tax liabilities	117,218	3,886	–	4,072		125,176	–	125,176
Total liabilities						915,834	–	915,834
Capital expenditure	(192)	(11,315)	(65)	–		(11,572)	(4,570)	(16,142)
Depreciation of property, plant and equipment	(1,052)	(12,446)	(196)	–		(13,694)	(14,742)	(28,436)
Amortisation of leasehold land and land use rights	(118)	–	–	–		(118)	(1,176)	(1,294)
Impairment provision	–	(39,462)	(55,114)	–		(94,576)	(38,328)	(132,904)

NOTES TO THE ACCOUNTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information:

The Group operates primarily in Hong Kong and China. In presenting information of geographical segments, segment revenue is based on the geographical destination of delivery of goods.

	Year ended 31 December 2009						
	United States HK$'000	**Europe HK$'000**	**Mainland China HK$'000**	**Hong Kong HK$'000**	**Singapore HK$'000**	**Other regions HK$'000**	**Total HK$'000**
Continuing operations							
Revenue	**15,858**	**30,282**	**102,396**	**23,710**	**31,968**	**67,805**	**272,019**
Non-current assets *	**–**	**–**	**913,556**	**4,448**	**–**	**–**	**918,004**

	Year ended 31 December 2008						
	United States HK$'000	Europe HK$'000	Mainland China HK$'000	Hong Kong HK$'000	Singapore HK$'000	Other regions HK$'000	Total HK$'000
Continuing operations							
Revenue	181,419	61,681	258,945	59,157	49,555	156,196	766,953
Non-current assets *	–	–	953,382	11,048	–	–	964,430

* *Non-current assets exclude available-for-sale financial assets and deferred tax assets.*

Information about major customers:

Revenues of approximately HK$31.6 million (2008: HK$168.1 million) are derived from a single external customer of Technology division. These revenues are attributable to Singapore in 2009 and United States in 2008 respectively.

NOTES TO THE ACCOUNTS

6 OPERATING PROFIT

	2009 HK$'000	2008 HK$'000
Operating profit is stated after crediting and charging the following:		
Crediting		
Rental from investment properties less outgoings of HK$10,630,000 (2008: HK$20,953,000)	**69,705**	159,107
Gain on liquidation/ disposal of subsidiaries *(Note b)*	**75,770**	2,141,307
Write-back of provisions and accruals *(Note c)*	**56,145**	–
Gain on reduction of licence fees payables *(Note d)*	**17,677**	–
Gain on disposal of available-for-sale financial assets	**8,664**	–
Increase in fair value of investment properties (Note 18)	**800**	98,268
Gain on disposal of property, plant and equipment	**622**	–
Net exchange gains	**346**	994
Charging		
Cost of inventories	**147,393**	450,406
Staff costs (Note 13)	**86,991**	156,749
Impairment provision of licence rights	**–**	55,114
Impairment provision of property, plant and equipment	**–**	39,462
Depreciation of property, plant and equipment (Note 17)	**4,138**	13,694
Amortisation of leasehold land and land use rights	**111**	118
Loss on disposal of plant and equipment	**–**	188
Operating lease charges in respect of properties	**10,322**	12,475
Auditor's remuneration		
Audit and audit related work		
PricewaterhouseCoopers		
Current year	**3,157**	2,962
Overprovision in prior years	**–**	(141)
Other auditors	**137**	80
Provision for bad debts	**310**	2,203

NOTES TO THE ACCOUNTS

6 OPERATING PROFIT (Continued)

Notes:

(a) *Other gains, net for the year ended 31 December 2009 include gain on liquidation/ disposal of subsidiaries, gain on disposal of available-for-sale financial assets, increase in fair value of investment properties, gain on reduction of licence fees payable and write back of provisions and accruals. Other gains, net for the year ended 31 December 2008 included increase in fair value of investment properties, gain on disposal of subsidiaries and net of impairment provisions for licence rights and property, plant and equipment.*

(b) *The Group has disposed of certain subsidiaries which owned interests in certain land and building and has liquidated certain subsidiaries during the year. The Group recognised a gain of HK$75,770,000 for the year ended 31 December 2009. The Group disposed of certain subsidiaries which owned the entire interest in an investment property, and recognised a gain of HK$2,141,307,000 for the year ended 31 December 2008.*

(c) *The write back of provisions and accruals related to a number of exposures which were associated with the disposals of subsidiaries in 2008. As at 31 December 2009, the crystallisation of these exposures was reassessed as not probable.*

(d) *The Group has realised a gain of HK$17,677,000 for the year ended 31 December 2009 in relation to a reduction of licence fees payable on branded products.*

7 FINANCE COSTS

	2009 **HK$'000**	2008 HK$'000
Interest on loans from minority shareholders (not wholly repayable within five years)	**1,192**	1,204
Interest accretion on licence fees payable	**1,513**	1,824
	2,705	3,028

8 TAX CHARGE

	2009 **HK$'000**	2008 HK$'000
Current tax		
– Hong Kong	**573**	353
– Outside Hong Kong	**11,231**	27,996
Deferred tax charge	**11,049**	42,638
	22,853	70,987

NOTES TO THE ACCOUNTS

8 TAX CHARGE (Continued)

PRC Enterprise Income Tax:

The Group's subsidiaries in the Mainland China are subject to Enterprise Income Tax of Mainland China at rates range from a preferential rate of 12.5% to a standard rate of 25% for 2009 (2008: 12.5% to 25%).

Hong Kong Profits Tax:

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the year.

The differences between the Group's expected tax charges calculated at the domestic rates and the Group's tax charge for the years are as follows:

	2009 HK$'000	2008 HK$'000
Profit before tax	**218,867**	2,285,521
Tax calculated at the domestic rates applicable to the profits in the countries concerned	**23,252**	58,117
Income not subject to tax	**(8,496)**	(26,234)
Expenses not deductible for tax purposes	**705**	22,360
Tax losses not recognised	**8,046**	7,564
Deferred tax assets written off	**2,202**	7,000
Other temporary differences	**(2,856)**	1,040
Effect of change in tax rate	**–**	1,140
Total tax charge	**22,853**	70,987

The weighted average applicable tax rate was 10.6% (2008: 2.5%). The increase is caused by the recognition of gain on disposal of subsidiaries for the year ended 31 December 2008 (Note 6(b)).

NOTES TO THE ACCOUNTS

9 LOSS FOR THE YEAR FROM DISCONTINUED OPERATION

The Group has discontinued the toy division subsequent to the disposals of certain subsidiaries which operated the Group's toy manufacturing and trading businesses to an independent third party in 2008. Accordingly, the toy division was accounted for as a discontinued operation for the year ended 31 December 2008 in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

(a) Results of the toy division have been included in the consolidated income statement as follows:

	2009 HK$'000	2008 HK$'000
Revenue	–	947,480
Cost of sales	–	(935,406)
Gross profit	–	12,074
Interest income	–	3,777
Other losses, net	–	(141,109)
Administrative expenses	–	(17,336)
Selling and distribution costs	–	(25,066)
Operating loss	–	(167,660)
Share of loss of an associated company	–	(283)
Loss before tax	–	(167,943)
Tax charge	–	(11,481)
Loss from discontinued operation	–	(179,424)
Attributable to shareholders of the Company	–	(179,424)

(b) An analysis of the cash flows of the discontinued operation is as follows:

	2009 HK$'000	2008 HK$'000
Net cash from operating activities	–	134,073
Net cash from investing activities	–	33,030
Increase in cash and cash equivalents	–	167,103

NOTES TO THE ACCOUNTS

10 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK$341,237,000 (2008: HK$2,743,184,000).

11 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2009	2008
Weighted average number of ordinary shares in issue	**8,950,722,055**	8,950,071,483
Profit from continuing operations attributable to shareholders of the Company (HK$'000)	**188,122**	2,188,842
Basic earnings per share from continuing operations attributable to shareholders of the Company (HK cent per share)	**2.10**	24.46
Loss from discontinued operation attributable to shareholders of the Company (HK$'000)	**–**	(179,424)
Basic losses per share from discontinued operation attributable to shareholders of the Company (HK cent per share)	**–**	(2.00)

The profit from continuing operations attributable to shareholders of the Company of HK$2,188,842,000 for the year ended 31 December 2008 was derived from the profit attributable to the shareholders of the Company of HK$2,009,418,000 as adjusted by the loss from discontinued operation of HK$179,424,000 attributable to the shareholders of the Company (Note 9).

(b) Diluted earnings per share

The employee share options outstanding at 31 December 2009 and 2008 have no dilutive effect on basic earnings per share.

NOTES TO THE ACCOUNTS

12 DIVIDEND

	2009 HK$'000	2008 HK$'000
Final dividend proposed – HK2.2 cents (2008: HK2.2 cents) per ordinary share	**197,157**	196,914

At a meeting held on 5 March 2010 the Directors declared a final dividend of HK2.2 cents per ordinary share. The amount of proposed final dividend for 2009 is based on 8,961,688,707 shares issued at 5 March 2010. This proposed dividend is not reflected as a dividend payable in these accounts but will be reflected as an appropriation of retained profits for the year ending 31 December 2010.

The amount of proposed final dividend for 2008 was based on 8,950,652,707 shares issued at 31 December 2008 and the amount paid of HK$196,914,000 was based on 8,950,652,707 shares issued and recorded on the Registers of Members of the Company on 15 May 2009.

13 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

The amount recognised for continuing operations during the year is as follows:

	2009 HK$'000	2008 HK$'000
Wages and salaries	**72,289**	132,511
Other allowances and benefits	**12,689**	18,435
Pension costs	**2,698**	3,998
Employee share option benefits (Note 31)	**(685)**	1,805
Total staff costs (including directors' emoluments)	**86,991**	156,749

14 RETIREMENT BENEFITS SCHEMES

The Group has two defined contribution schemes for all qualified employees.

(a) Hong Kong employees who commenced employment before 1 September 2000 and qualified employees from operations outside Hong Kong are members of the first defined contribution scheme. The assets of the first defined contribution scheme are held separately under a provident fund managed by an independent trustee. Pursuant to the rules of the scheme, the employers and its employees are each required to make contributions to the scheme calculated at 5% of the employees' basic salaries on a monthly basis. The employees are entitled to 100% of the employers' contributions and accrued interest after 10 years' service, or at an increasing scale of between 20% to 90% after completion of 2 to 9 years' service.

When there are employees who leave the scheme prior to vesting fully in the contributions, in accordance with the rules of the scheme, the forfeited employers' contributions arising from members terminating employment before becoming fully vested are allocated to the benefit of the remaining members instead of being used to reduce the future contributions of the employers.

(b) All qualified Hong Kong employees who commenced employment on or after 1 September 2000 are members of the second defined contribution scheme which has been set up in accordance with the guidelines of Mandatory Provident Fund Schemes Ordinance. Both the employers and employees contribute 5% of relevant income (limited to HK$1,000) to the scheme each month. The assets of the second defined contribution scheme are held separately from those of the Group in funds under the control of trustees.

(c) The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. The subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

NOTES TO THE ACCOUNTS

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

Directors' emoluments comprise payments to directors of the Company by the Group in connection with the management of the affairs of the Group. The emoluments of the directors of the Company are as follows:

Name of director	Director's Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Provident fund contributions HK$'000	Employee share option benefits HK$'000	2009 Total emoluments HK$'000
Fok Kin-ning, Canning [(1)]	90	–	–	–	–	90
Lai Kai Ming, Dominic	70	–	–	–	–	70
Chan Wen Mee, May (Michelle)	70	1,948	2,000	145	–	4,163
Chow Woo Mo Fong, Susan	70	–	–	–	–	70
Chow Wai Kam, Raymond	70	–	–	–	–	70
Edith Shih	70	–	–	–	–	70
Endo Shigeru	70	–	–	–	–	70
Kwok Siu Kai, Dennis [(2)]	4	194	–	7	–	205
Ronald Joseph Arculli [(3)]	140	–	–	–	–	140
Kwan Kai Cheong [(1) (3) (4)]	160	–	–	–	–	160
Lam Lee G. [(1) (3) (4)]	160	–	–	–	–	160
Lan Hong Tsung, David [(4)]	70	–	–	–	–	70
Total – 2009	1,044	2,142	2,000	152	–	5,338

Notes:

(1) Members of the Remuneration Committee

(2) Resigned with effect from 24 January 2009

(3) Members of the Audit Committee

(4) Independent Non-executive Directors

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(a) Directors' emoluments (Continued)

Name of director	Director's Fees HK$'000	Basic salaries, allowances and benefits-in-kind HK$'000	Discretionary bonuses HK$'000	Provident fund contributions HK$'000	Employee share option benefits HK$'000	2008 Total emoluments HK$'000
Fok Kin-ning, Canning [(1)]	90	–	–	–	–	90
Lai Kai Ming, Dominic	70	–	–	–	–	70
Luk Tei, Lewis [(2)]	9	446	–	6	–	461
Chan Wen Mee, May (Michelle)	70	1,911	2,000	145	206	4,332
Chow Woo Mo Fong, Susan	70	–	–	–	–	70
Chow Wai Kam, Raymond	70	–	–	–	–	70
Edith Shih	70	–	–	–	–	70
Endo Shigeru	70	–	–	–	86	156
Kwok Siu Kai, Dennis [(3)]	70	1,892	1,130	81	211	3,384
Ronald Joseph Arculli [(4)]	140	–	–	–	–	140
Kwan Kai Cheong [(1) (4) (5)]	160	–	–	–	–	160
Lam Lee G. [(1) (4) (5)]	160	–	–	–	–	160
Lan Hong Tsung, David [(5)]	70	–	–	–	–	70
Total – 2008	1,119	4,249	3,130	232	503	9,233

Notes:

(1) Members of the Remuneration Committee

(2) Retired with effect from 15 February 2008

(3) Resigned with effect from 24 January 2009

(4) Members of the Audit Committee

(5) Independent Non-executive Directors

NOTES TO THE ACCOUNTS

15 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2008: two) director whose emoluments are reflected in the analysis presented in Note 15(a) to the accounts. The emoluments payable to the four (2008: three) remaining individuals for the year are as follows:

	2009 HK$'000	2008 HK$'000
Basic salaries, allowances and benefits-in-kind	**6,475**	4,380
Discretionary bonuses	**1,368**	1,145
Provident fund contributions	**289**	225
Employee share option benefits	**–**	354
	8,132	6,104

The emoluments of the remaining four (2008: three) individuals with the highest emoluments for the year fell within the following bands:

	Number of individuals	
Emolument bands	**2009**	2008
HK$2,500,001 – HK$3,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**2**	2

16 LICENCE RIGHTS

	2009 HK$'000	2008 HK$'000
At 1 January	**55,114**	55,114
Impairment provision	**(55,114)**	(55,114)
At 31 December	**–**	–

Balance represents licence rights on branded products and full impairment provision was made in 2008.

The cost of these licence rights represents capitalisation of the minimum licence fee payable, based on a discount rate equal to the Group's weighted average borrowing rate of 6% at the date of inception.

NOTES TO THE ACCOUNTS

17 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2009	111,986	41,652	150,960	65,321	7,151	377,070
Exchange translation differences	1,014	15	1	5	15	1,050
Additions	–	895	141	1,176	–	2,212
Disposals and write off	–	(24,238)	(30,159)	(35,347)	(3,700)	(93,444)
Revaluation surplus	10	–	–	–	–	10
Transfer to investment properties	(211)	–	–	–	–	(211)
Relating to subsidiaries disposed of (Note 33(c))	(101,941)	(7,431)	–	(9,164)	(1,781)	(120,317)
At 31 December 2009	10,858	10,893	120,943	21,991	1,685	166,370
Accumulated depreciation and impairment						
At 1 January 2009	77,897	31,611	150,960	55,482	6,297	322,247
Exchange translation differences	628	10	1	5	11	655
Charge for the year (Note 6)	469	1,461	8	2,008	192	4,138
Disposals and write off	–	(21,698)	(30,159)	(35,317)	(3,502)	(90,676)
Transfer to investment properties	(181)	–	–	–	–	(181)
Relating to subsidiaries disposed of (Note 33(c))	(76,451)	(1,120)	–	(1,623)	(1,525)	(80,719)
At 31 December 2009	2,362	10,264	120,810	20,555	1,473	155,464
Net book value						
At 31 December 2009	8,496	629	133	1,436	212	10,906

NOTES TO THE ACCOUNTS

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1 January 2008	109,053	151,778	220,216	63,808	10,440	555,295
Exchange translation differences	7,729	3,755	6,712	936	800	19,932
Additions – continuing operations	–	362	963	10,218	29	11,572
Additions – discontinued operation	–	1,115	292	3,163	–	4,570
Disposals and write off	(2,397)	(66,051)	(40,870)	(2,244)	(1,865)	(113,427)
Revaluation surplus	1,374	–	–	–	–	1,374
Transfer to investment properties	(3,773)	–	–	–	–	(3,773)
Relating to subsidiaries disposed of (Note 33(c))	–	(49,307)	(36,353)	(10,560)	(2,253)	(98,473)
At 31 December 2008	111,986	41,652	150,960	65,321	7,151	377,070
Accumulated depreciation and impairment						
At 1 January 2008	72,759	126,893	167,789	42,431	7,820	417,692
Exchange translation differences	4,358	427	1,362	833	701	7,681
Charge for the year – continuing operations (Note 6)	484	2,666	7,527	2,708	309	13,694
Charge for the year – discontinued operation	3,163	4,176	3,844	3,058	501	14,742
Impairment provision	–	12,511	45,307	18,970	1,002	77,790
Disposals and write off	(2,397)	(65,755)	(38,516)	(1,958)	(1,783)	(110,409)
Transfer to investment properties	(470)	–	–	–	–	(470)
Relating to subsidiaries disposed of (Note 33(c))	–	(49,307)	(36,353)	(10,560)	(2,253)	(98,473)
At 31 December 2008	77,897	31,611	150,960	55,482	6,297	322,247
Net book value						
At 31 December 2008	34,089	10,041	–	9,839	854	54,823

NOTES TO THE ACCOUNTS

17 PROPERTY, PLANT AND EQUIPMENT (Continued)

The Group's interests in buildings at their net book values are analysed as follows:

	2009 HK$'000	2008 HK$'000
Leases of between 10 to 50 years		
Hong Kong	**285**	325
Outside Hong Kong	**8,211**	33,764
	8,496	34,089

18 INVESTMENT PROPERTIES

	2009 HK$'000	2008 HK$'000
Valuation		
At 1 January	**892,079**	3,785,324
Exchange translation differences	**7,893**	220,381
Transfer from property, plant and equipment and leasehold land and land use rights	**2,600**	4,746
Increase in fair value (Note 6)	**800**	98,268
Relating to subsidiaries disposed of (Note 33(c))	**–**	(3,216,640)
At 31 December	**903,372**	892,079

Notes:

(a) The Group's investment properties comprise:

	2009 HK$'000	*2008 HK$'000*
Leases of between 10 to 50 years		
Hong Kong	***3,570***	*170*
Outside Hong Kong	***899,802***	*891,909*
	903,372	*892,079*

(b) The investment properties at 31 December 2009 and 31 December 2008 were revalued on an open market value basis by independent professional valuers, DTZ Debenham Tie Leung Limited.

NOTES TO THE ACCOUNTS

19 LEASEHOLD LAND AND LAND USE RIGHTS

The Group's interests in leasehold land and land use rights represent prepaid operating lease payments.

	2009 **HK$'000**	2008 HK$'000
Net book value		
At 1 January	**14,247**	16,237
Exchange translation differences	**103**	775
Revaluation surplus	**875**	601
Transfer to investment properties	**(2,570)**	(1,443)
Relating to subsidiaries disposed of (Note 33(c))	**(8,818)**	–
Disposals	**–**	(629)
Amortisation	**(111)**	(1,294)
At 31 December	**3,726**	14,247

The Group's leasehold land and land use rights comprise:

	2009 **HK$'000**	2008 HK$'000
Leases of between 10 to 50 years		
Hong Kong	**37**	1,734
Outside Hong Kong	**3,689**	12,513
	3,726	14,247

20 INVESTMENTS IN SUBSIDIARIES

	Company	
	2009 **HK$'000**	2008 HK$'000
Unlisted investments, at cost	**659,099**	659,099

Particulars of the principal subsidiaries at 31 December 2009 are set out in Note 40 to the accounts.

NOTES TO THE ACCOUNTS

21 INVESTMENT IN AN ASSOCIATED COMPANY

	2009 HK$'000	2008 HK$'000
Unlisted investment, at cost	–	3,884
Share of post acquisition reserves	–	(603)
	–	3,281

Note:

The associated company, Panyu Crown-Li Mould Co. Ltd. was liquidated during 2009 and there was no share of tax charge attributable to an associated company for the year ended 31 December 2009 (2008: Nil).

22 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009 HK$'000	2008 HK$'000
Overseas listed debt securities, at fair value	1,210,763	–
Overseas listed equity securities, at fair value	3,295	7,606
Total	1,214,058	7,606
Less: current portion	(3,295)	(7,606)
Non-current portion	1,210,763	–

23 INVENTORIES

	2009 HK$'000	2008 HK$'000
Raw materials	6,373	43,363
Work in progress	4,399	24,052
Finished goods	10,193	10,936
	20,965	78,351

NOTES TO THE ACCOUNTS

24 TRADE RECEIVABLES

The Group's average credit period granted to trade debtors mainly ranges from 30 to 60 days. At 31 December, the aging analysis of trade receivables, net of provision, based on the date of invoice is as follows:

	2009 HK$'000	2008 HK$'000
0-30 days	**11,076**	17,637
31-60 days	**4,863**	25,763
61-90 days	**249**	10,855
Over 90 days	**669**	28,486
	16,857	82,741

No interest is charged on the overdue trade receivables. The trade receivables included in the above aging are considered not impaired as these relate to a number of independent customers for whom there is no recent history of default. All the impaired overdue trade receivables have been provided for. As of 31 December 2009, trade receivables of HK$28,701,000 (2008: HK$28,630,000) were impaired and provided for.

The movements on the provision for impairment of trade receivables are as follows:

	2009 HK$'000	2008 HK$'000
At 1 January	**28,630**	14,305
Exchange translation differences	**22**	–
Provision recognised in the income statement		
– Continuing operations	**359**	2,203
– Discontinued operation	**–**	14,596
Provision released		
– Continuing operations	**(49)**	–
– Discontinued operation	**–**	(2,474)
Receivables written off during the year as uncollectible	**(261)**	–
At 31 December	**28,701**	28,630

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The Group does not hold any collateral as security.

NOTES TO THE ACCOUNTS

25 CASH AND BANK DEPOSITS

	Group		Company	
	2009	2008	**2009**	2008
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank deposits with maturity less than three months	**4,334,403**	5,669,643	**4,037,181**	5,069,842
Bank deposits with maturity over three months	**204,178**	–	**–**	–
Cash at banks and on hand	**195,715**	292,479	**16,431**	5,817
	4,734,296	5,962,122	**4,053,612**	5,075,659

Bank balances of HK$537,994,000 (2008: HK$535,665,000) are mainly denominated in Renminbi and placed with banks in the Mainland China. The remittance of these funds out of the Mainland China is subject to exchange control restrictions imposed by the PRC government. The remaining bank balances are mainly denominated in Hong Kong dollars or US dollars.

The average effective interest rate on short term bank deposits during the year ended 31 December 2009 was approximately 1.59% (2008: 2.54%) per annum. These deposits have an average maturity of 50 days (2008: 32 days).

26 TRADE PAYABLES

There is no amount due to an associated company included in trade payables at 31 December 2009. At 31 December 2008, amount due to an associated company of the Group was amounted to HK$4,280,000. The aging analysis of trade payables at 31 December is as follows:

	2009	2008
	HK$'000	HK$'000
0-30 days	**5,907**	42,662
31-60 days	**1,738**	28,646
61-90 days	**–**	1,893
Over 90 days	**28,683**	7,873
	36,328	81,074

NOTES TO THE ACCOUNTS

27 DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

Included in deposits received, other payables and accruals at 31 December 2009 are provisions and accruals of approximately HK$160 million (2008: HK$280 million) in respect of legal and constructive obligations in connection with disposals of subsidiaries in 2008. During the year ended 31 December 2009, provisions of HK$64 million were utilised or released upon liquidation/ disposal of subsidiaries and HK$56 million were written back. The amounts due to certain subsidiaries of Hutchison Whampoa Limited and a loan from a minority shareholder of a subsidiary of the Group were HK$13,527,000 (2008: HK$8,751,000) and Nil (2008: HK$8,458,000) respectively.

28 DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes related to the same fiscal authority.

	2009 HK$'000	2008 HK$'000
Deferred tax assets	**–**	(2,211)
Deferred tax liabilities	**130,721**	125,176
Net deferred tax liabilities	**130,721**	122,965

(a) The gross movement in the net deferred tax liabilities is as follows:

	2009 HK$'000	2008 HK$'000
At 1 January	**122,965**	642,534
Exchange translation differences	**1,022**	31,781
Relating to subsidiaries disposed of (Note 33(c))	**(4,315)**	(604,458)
Charged to the income statement	**11,049**	53,108
At 31 December	**130,721**	122,965

NOTES TO THE ACCOUNTS

28 DEFERRED TAX (Continued)

(b) Analysis of net deferred tax liabilities/(assets):

	2009				
	At 1 January HK$'000	**Exchange translation differences HK$'000**	**Relating to subsidiaries disposed of HK$'000** (Note 33(c))	**Charged to income statement HK$'000**	**At 31 December HK$'000**
Accelerated tax depreciation	**64,866**	**675**	**–**	**6,179**	**71,720**
Changes in fair value of investment properties	**46,581**	**574**	**–**	**132**	**47,287**
Other temporary differences	**12,491**	**(79)**	**(4,315)**	**3,617**	**11,714**
Tax losses	**(973)**	**(148)**	**–**	**1,121**	**–**
	122,965	**1,022**	**(4,315)**	**11,049**	**130,721**

	2008				
	At 1 January HK$'000	Exchange translation differences HK$'000	Relating to subsidiaries disposed of HK$'000 (Note 33(c))	Charged to income statement HK$'000	At 31 December HK$'000
Accelerated tax depreciation	86,609	5,220	(36,490)	9,527	64,866
Changes in fair value of investment properties	545,086	31,025	(553,442)	23,912	46,581
Other temporary differences	30,727	(4,215)	(14,526)	505	12,491
Tax losses	(19,888)	(249)	–	19,164	(973)
	642,534	31,781	(604,458)	53,108	122,965

NOTES TO THE ACCOUNTS

28 DEFERRED TAX (Continued)

(c) Deferred tax assets are recognised for unused tax losses carried forward to the extent it is probable that future taxable profit will be available against which the unused tax losses can be utilised, based on all available evidence. The Group has not recognised deferred tax assets of HK$55,511,000 (2008: HK$49,289,000) in respect of the unused tax losses carried forward amounting to HK$347,491,000 (2008: HK$382,253,000). Of these amounts, HK$309,835,000 (2008: HK$374,380,000) can be carried forward indefinitely and the remaining HK$37,656,000 (2008: HK$7,873,000) expires in the following years:

	2009 HK$'000	2008 HK$'000
2011	**4,419**	–
2013	**4,156**	7,873
2014	**29,081**	–
	37,656	7,873

29 OTHER NON-CURRENT FINANCIAL LIABILITIES

	Note	**2009 HK$'000**	2008 HK$'000
Loans from minority shareholders	*(a)*	**40,025**	39,995
Non-current portion of licence fees payable	*(b)*	**11,935**	19,906
		51,960	59,901

Notes:

(a) Loans from minority shareholders

At 31 December 2009, the interest bearing loans from minority shareholders were advanced by a minority shareholder of the Group's two PRC property development equity joint ventures. The loans from the minority shareholders are interest bearing at 3% (2008: 3%) per annum, unsecured and have no fixed terms of repayment.

The carrying amounts of loans from minority shareholders approximate to their fair values and are denominated in the following currencies.

	2009 HK$'000	*2008 HK$'000*
US dollar	***36,605***	*36,605*
Renminbi	***3,420***	*3,390*
	40,025	*39,995*

29 OTHER NON-CURRENT FINANCIAL LIABILITIES (Continued)

(b) Non-current portion of licence fees payable

The balance represents non-current portion of licence fees payable. The carrying value of the licence fees payable approximates to its fair value and is denominated in US dollars.

30 SHARE CAPITAL

	2009 Number of shares	**2009** Amount HK$'000	2008 Number of shares	2008 Amount HK$'000
Authorised:				
Ordinary shares of HK$0.1 each	**20,000,000,000**	**2,000,000**	20,000,000,000	2,000,000
Issued and fully paid:				
At 1 January	**8,950,652,707**	**895,065**	8,949,444,707	894,944
Issue of shares upon exercise of share options (Note 31)	**1,420,000**	**142**	1,208,000	121
At 31 December	**8,952,072,707**	**895,207**	8,950,652,707	895,065

31 SHARE OPTIONS

The Company operates a share option scheme which was adopted in 2004. 123,750,000 and 33,000,000 share options were granted on 3 June 2005 and 25 May 2007 to certain directors and employees at the exercise price of HK$0.822 and HK$0.616 per share respectively. Share options are conditional on the employee completing the prescribed years of service. The share options are exercisable subject to, amongst other relevant vesting criteria, the vesting schedule of one-third on each of the first, second and third anniversaries of the date of grant of share options. The share options have a contractual option term of 10 years. The Group has no legal or constructive obligation to repurchase or settle the share options in cash.

During the year ended 31 December 2009, 1,420,000 (2008: 1,208,000) share options were exercised and 22,936,000 (2008: 27,768,000) share options had lapsed. The number of share options outstanding at 31 December 2009 was 37,768,000 (2008: 62,124,000) of which 24,900,000 will expire on 2 June 2015 and the remaining 12,868,000 will expire on 24 May 2017 unless exercised before then. Out of the 37,768,000 (2008: 62,124,000) outstanding share options, 32,906,000 (2008: 44,499,000) were exercisable.

NOTES TO THE ACCOUNTS

31 SHARE OPTIONS (Continued)

The fair value of share options granted on 3 June 2005 and 25 May 2007, determined using the Binomial valuation model, was as follows:

Date of grant of share options	25 May 2007	3 June 2005
Value of each share option	HK$0.2565	HK$0.2498
Significant inputs into the valuation model:		
Share price at grant date	HK$0.61	HK$0.82
Exercise price	HK$0.616	HK$0.822
Expected volatility *(Note a)*	37.4%	31.7%
Expected life of share options	7 years	7 years
Expected dividend yield	0.98%	2.44%
Annual risk-free interest rate	4.318%	3.444%

Notes:

(a) The volatility measured at the standard deviation of expected share price returns is based on statistical analysis of daily share prices over one year immediately preceding the grant date.

(b) Any change in the above variables adopted may affect the fair value estimation.

Movements in share options were as follows:

		Number of share options				
	Date of grant	At 1 January 2009	Granted	Exercised	Cancelled/ lapsed	At 31 December 2009
Directors						
Chan Wen Mee, May (Michelle)	3 June 2005	12,000,000	–	–	–	12,000,000
Endo Shigeru	3 June 2005	5,000,000	–	–	–	5,000,000
Kwok Siu Kai, Dennis[(1)]	3 June 2005	4,000,000	–	–	(4,000,000)	–
	25 May 2007	4,000,000	–	–	(4,000,000)	–
		25,000,000	–	–	(8,000,000)	17,000,000
Employees	3 June 2005	15,600,000	–	–	(7,700,000)	7,900,000
	25 May 2007	21,524,000	–	(1,420,000)	(7,236,000)	12,868,000
		37,124,000	–	(1,420,000)	(14,936,000)	20,768,000
	Total	62,124,000	–	(1,420,000)	(22,936,000)	37,768,000

Note:

(1) Mr Kwok Siu Kai, Dennis resigned as Executive Director with effect from 24 January 2009.

NOTES TO THE ACCOUNTS

32 RESERVES

Company

	Share premium HK$'000	Capital redemption reserve HK$'000	Share-based compensation reserve HK$'000	Contributed surplus HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2009	**2,599,715**	**3,558**	**12,071**	**1,456**	**3,126,177**	**5,742,977**
Employee share option benefits	**–**	**–**	**(685)**	**–**	**–**	**(685)**
Transfer between reserves	**–**	**–**	**(3,385)**	**–**	**3,385**	**–**
Profit for the year	**–**	**–**	**–**	**–**	**341,237**	**341,237**
Issue of shares (Note 30)	**902**	**–**	**(169)**	**–**	**–**	**733**
2008 final dividend paid	**–**	**–**	**–**	**–**	**(196,914)**	**(196,914)**
At 31 December 2009	**2,600,617**	**3,558**	**7,832**	**1,456**	**3,273,885**	**5,887,348**
At 1 January 2008	2,598,993	3,558	12,085	1,456	578,118	3,194,210
Employee share option benefits	–	–	1,738	–	–	1,738
Transfer between reserves	–	–	(1,653)	–	1,653	–
Profit for the year	–	–	–	–	2,743,184	2,743,184
Issue of shares (Note 30)	722	–	(99)	–	–	623
Write-back of unclaimed dividends	–	–	–	–	110	110
2007 final dividend paid	–	–	–	–	(196,888)	(196,888)
At 31 December 2008	2,599,715	3,558	12,071	1,456	3,126,177	5,742,977

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of subsidiaries when they were acquired by the Company and the nominal amount of the Company's share capital issued for the acquisition.

The application of share premium account is governed by section 40 of the Companies Act 1981 of Bermuda (as amended).

Under the Companies Act 1981 of Bermuda (as amended), contributed surplus is available for distribution to shareholders. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus, if:

(a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or

(b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

NOTES TO THE ACCOUNTS

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit from continuing operations to cash generated from operating activities before finance costs, tax paid and changes in working capital:

	2009 **HK$'000**	2008 HK$'000
Operating profit from continuing operations	**221,572**	2,288,549
Adjustments for:		
Interest income	**(58,008)**	(95,169)
Write-back of provisions and accruals	**(56,145)**	–
Impairment provision of licence rights	**–**	55,114
Impairment provision of property, plant and equipment	**–**	39,462
Depreciation of property, plant and equipment	**4,138**	13,694
Amortisation of leasehold land and land use rights	**111**	118
Gain on liquidation/ disposal of subsidiaries	**(75,770)**	(2,141,307)
Gain on disposal of available-for-sale financial assets	**(8,664)**	–
(Gain)/loss on disposal of property, plant and equipment	**(622)**	188
Increase in fair value of investment properties	**(800)**	(98,268)
Employee share option benefits	**(685)**	963
	25,127	63,344

(b) Changes in working capital:

	2009 **HK$'000**	2008 HK$'000
Decrease in trade and other receivables, deposits and prepayments	**182,811**	81,998
Decrease in loans receivable	**–**	3,879
Decrease in inventories	**57,386**	12,607
(Decrease)/increase in trade and other payables	**(160,285)**	123,119
Exchange difference	**12,112**	30,159
	92,024	251,762

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Liquidation/ disposal of subsidiaries:

	2009 **HK$'000**	2008 HK$'000
Net assets relating to subsidiaries liquidated/ disposed of:		
Property, plant and equipment (Note 17)	**39,598**	–
Leasehold land and land use rights (Note 19)	**8,818**	–
Goodwill	**–**	383,085
Investment properties (Note 18)	**–**	3,216,640
Trade and other receivables	**86**	24,908
Cash and cash equivalents	**17,583**	195,309
Trade and other payables	**(53,204)**	(84,267)
Tax payable	**(1,310)**	(44,120)
Deferred tax liabilities (Note 28)	**(4,315)**	(604,458)
Minority interests	**(42,111)**	(4,469)
	(34,855)	3,082,628
Exchange reserve realised	**(26,778)**	(409,006)
Gain on liquidation/ disposal from continuing operations (Note 6(b))	**75,770**	2,141,307
Loss on disposal from discontinued operation	**–**	(870)
	14,137	4,814,059
Satisfied by:		
Cash received	**14,137**	4,796,238
Consideration receivable	**–**	17,821
	14,137	4,814,059

NOTES TO THE ACCOUNTS

33 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(c) Liquidation/ disposal of subsidiaries: (Continued)

Analysis of net cash inflow in respect of liquidation/ disposal of subsidiaries:

	2009 HK$'000	2008 HK$'000
Cash consideration received	**14,137**	4,796,238
Cash and cash equivalents disposed of	**(17,583)**	(195,309)
Net cash (outflow)/inflow in respect of liquidation/ disposal of subsidiaries	**(3,446)**	4,600,929
Less: Net cash outflow/(inflow) in respect of liquidation/ disposal of subsidiaries from continuing operations	**3,446**	(4,571,501)
Net cash inflow in respect of disposal of subsidiaries from discontinued operation	**–**	29,428

34 FINANCIAL GUARANTEES

At 31 December, financial guarantees not provided for in the accounts are as follows:

	Group		**Company**	
	2009 HK$'000	2008 HK$'000	**2009 HK$'000**	2008 HK$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	**–**	–	**23,400**	35,100

35 CAPITAL COMMITMENTS

	2009 HK$'000	2008 HK$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	**289**	1,415
Authorised but not contracted for	**800**	6,594
	1,089	8,009

36 OPERATING LEASES

(a) At 31 December, the Group had future aggregate minimum lease receivables under non-cancellable operating leases in respect of investment properties as follows:

	2009 HK$'000	2008 HK$'000
Not later than one year	**69,323**	78,904
Later than one year and not later than five years	**44,588**	67,824
Later than five years	**–**	159
	113,911	146,887

(b) At 31 December, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

	2009 HK$'000	2008 HK$'000
Not later than one year	**10,614**	7,023
Later than one year and not later than five years	**34,928**	–
Later than five years	**25,164**	–
	70,706	7,023

37 MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following significant transactions during the year with related parties which were carried out in the normal course of business at terms determined and agreed by both parties, details of which are as follows:

(a) The Group has purchased notes issued by a subsidiary of Hutchison Whampoa Limited at approximately HK$1,187,213,000 from the market during the year (Note 22). Net interest income recognised during the period was approximately HK$32,774,000 (2008: Nil).

(b) The Group manufactured a range of products including cap covers, premium items and mobile phone accessories for certain subsidiaries and an associated company of Hutchison Whampoa Limited. The aggregate invoiced amounts for the year were approximately HK$335,000 (2008: HK$2,701,000).

(c) Hutchison International Limited, a wholly-owned subsidiary of Hutchison Whampoa Limited, has been providing and will continue to provide administrative and support services to the Group. The aggregate fees charged for the year were approximately HK$5,600,000 (2008: HK$5,500,000).

NOTES TO THE ACCOUNTS

37 MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) During the year, the Group paid rental expenses and management fee to subsidiaries of Hutchison Whampoa Limited of approximately HK$5,600,000 (2008: HK$11,302,000). During the year ended 31 December 2008, the Group received rental income and building management fee from subsidiaries of Hutchison Whampoa Limited of approximately HK$2,385,000.

(e) The amounts due from/to subsidiaries are unsecured, interest free and repayable on demand.

(f) The amounts due to certain subsidiaries of Hutchison Whampoa Limited and loan from a minority shareholder of a subsidiary of the Group are unsecured, interest free and repayable on demand.

(g) Details of directors' remuneration (being the key management personnel compensation) are shown in Note 15 to the accounts.

38 HOLDING COMPANY

The directors consider the ultimate holding company to be Hutchison Whampoa Limited, which is incorporated and listed in Hong Kong.

39 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 5 March 2010.

NOTES TO THE ACCOUNTS

40 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2009 are as follows:

Name of subsidiaries	Place of operations/ incorporation	Particulars of issued/registered capital	Group's effective interest	Principal activity
			%	
* Hutchison Harbour Ring Property Holdings Limited	Hong Kong/ British Virgin Islands	US$1 ordinary share	100	Investment holding
* i. Tech Holdings Limited	Hong Kong/ British Virgin Islands	US$100 ordinary shares	100	Investment holding
* PMW Holdings Limited	Hong Kong/ British Virgin Islands	US$1,000 ordinary shares	100	Investment holding
# Guangzhou i. Tech Electronic Technology Ltd.	PRC	HK$68,800,000 registered capital	97.79	Manufacture of mobile phone accessories and electronics technology products
Hutchison Harbour Ring Industries Limited	Hong Kong	HK$2 ordinary shares HK$1,000,000 non-voting deferred shares	100	Investment holding and provision of management services
i. Tech Dynamic Limited	Hong Kong	HK$10,000 ordinary shares HK$850,000 non-voting deferred shares	100	Manufacturing and trading of mobile phone accessories and other consumer products
P & H Development Limited	Hong Kong	HK$7 ordinary shares HK$3 non-voting deferred shares	100	Investment holding

NOTES TO THE ACCOUNTS

40 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiaries	Place of operations/ incorporation	Particulars of issued/registered capital	Group's effective interest	Principal activity
			%	
PMW – GB Agency Limited	Hong Kong	HK$100 ordinary shares	65	Provision of agency services
PMW International Limited	Hong Kong	HK$1,000 ordinary shares	100	Trading of licensed toys, premium goods, electronic and other consumer products
PMW Management Limited	Hong Kong	HK$1,000 ordinary shares	100	Provision of management services
# Shanghai Gang Lu Real Estate Development Co., Ltd.	PRC	US$16,000,000 registered capital	88	Property holding
# Shanghai Pu Gang Real Estate Development Co., Ltd.	PRC	US$7,000,000 registered capital	80	Property holding

The non-voting deferred shares practically carry no rights to dividends or receive notice of or to attend or vote at any general meeting of the respective companies or to participate in any distribution on winding up.

* *Shares held directly by the Company*
\# *Sino-foreign equity joint ventures*

FIVE YEAR SUMMARY

	2009 HK$'000	2008 HK$'000	2007 HK$'000	2006 HK$'000	2005 HK$'000
Results					
Revenue					
– Continuing operations	**272,019**	766,953	1,199,512	866,384	786,736
– Discontinued operation	**–**	947,480	1,510,227	1,721,424	1,833,653
	272,019	1,714,433	2,709,739	2,587,808	2,620,389
Continuing operations					
Operating profit	**221,572**	2,288,549	389,396	217,997	170,745
Share of losses of associated companies	**–**	–	–	–	(408)
Finance costs	**(2,705)**	(3,028)	(39,320)	(55,512)	(6,708)
Profit before tax	**218,867**	2,285,521	350,076	162,485	163,629
Tax (charge)/credit	**(22,853)**	(70,987)	25,097	(92,940)	(25,686)
Profit for the year from continuing operations	**196,014**	2,214,534	375,173	69,545	137,943
Discontinued operation					
(Loss)/profit for the year from discontinued operation	**–**	(179,424)	(52,958)	(17,935)	54,620
Profit for the year	**196,014**	2,035,110	322,215	51,610	192,563
Attributable to					
Minority interests	**7,892**	25,692	10,510	1,498	6,547
Shareholders of the Company	**188,122**	2,009,418	311,705	50,112	186,016
	196,014	2,035,110	322,215	51,610	192,563
Assets and liabilities					
Total assets	**6,971,384**	7,252,337	6,222,268	5,880,954	5,830,550
Total liabilities	**(646,376)**	(915,834)	(1,563,004)	(2,582,829)	(2,587,284)
Net assets	**6,325,008**	6,336,503	4,659,264	3,298,125	3,243,266

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group which have been completed for existing use at 31 December 2009 are as follows:

A. INVESTMENT PROPERTIES

	Name/Location	Lease expiry	Type	Gross floor area (sq.m)	Attributable interest
The People's Republic of China					
1.	Various units on levels 1-3, 5-7, 11, 15, 16, 20 & 21 and the whole of levels 4, 14, 22 & 23, and 50 car parking spaces in the basement, Harbour Ring Huang Pu Centre, No. 98 Luhe Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 19 November 1992 to 18 November 2042	C	9,344 (exclude car park)	80%
2.	Various units on levels 4-6, 9-14, 17-18, 23-24 & 28 and the whole of levels 2 & 3 and 152 car parking spaces in the basement, Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	C	25,852 (exclude car park)	88%
3.	Level 29 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	C	1,269	80%
4.	Levels 31 and 32 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	C	1,629	100%

PARTICULARS OF MAJOR PROPERTIES

B. OTHER PROPERTIES

	Name/Location	Lease expiry	Type	Gross floor area (sq.m)	Attributable interest
	Hong Kong				
1.	Units B3 & B4 on 9th Floor in Tuen Mun Industrial Centre, No. 2 San Ping Circuit, Tuen Mun, New Territories, Hong Kong.	For a residual term to 30 June 2047	G	461	100%
	The People's Republic of China				
2.	Units 1001, 1002, 1003 and 1003A on level 10 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, The PRC.	The land use term of the property is 50 years from 1 August 1993 to 31 July 2043	C	755	88%

Note:

Types of properties:

C – Commercial, G – Godown

INFORMATION FOR SHAREHOLDERS

LISTING

The Company's ordinary shares are listed on The Stock Exchange of Hong Kong Limited

STOCK CODE

715

PUBLIC FLOAT CAPITALISATION

As at 31 December 2009:
approximately HK$2,496 million, representing 28.45% of the issued share capital of the Company.

FINANCIAL CALENDAR

2009 Final Results Announcement	5 March 2010
Closure of Registers of Members	30 April 2010 – 7 May 2010
Annual General Meeting	7 May 2010
Payment of 2009 Final Dividend	10 May 2010
2010 Interim Results Announcement	August 2010

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