



(Stock Code: 715)



A Hutchison Whampoa Company

2010 Annual Report

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

TSUI Kin Tung, Tony, MRICS, MHKIS, RPS(GP)

(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, GBM, CVO, GBS, 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, FHKIarb

(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

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CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

The consolidated profit attributable to shareholders for the year ended 31 December 2010 ("the year") was HK\$152.2 million (2009: HK\$188.1 million) and earnings per share for the year was HK1.70 cents (2009: HK2.10 cents).

Revenue from continuing operations for the year amounted to HK\$82.2 million (2009: HK\$84.3 million) and earnings before interest expense and tax ("EBIT") from continuing operations for the year was HK\$161.8 million (2009: HK\$252.1 million). Excluding a gain on disposal of investments and others of HK\$53.0 million (2009: HK\$179.1 million) and profit on revaluation of investment

properties of HK\$14.6 million (2009: HK\$0.8 million), the EBIT from continuing operations for the year increased by 30% to HK\$94.1 million compared to HK\$72.3 million in 2009. The increase was mainly due to increased interest income on the debt securities acquired in June 2009 and the cost savings during the year.

Finance costs for the year were HK\$1.8 million (2009: HK\$1.2 million), and the tax charge for the year was HK\$19.1 million (2009: HK\$22.0 million).

The Company disposed of its technology business in March 2010, and the licensing and sourcing business in September 2010. The net profit attributable to these discontinued operations, after non-controlling interests, was HK\$18.8 million for the year, as compared to a loss of HK\$34.0 million in 2009.

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 (2009: HK2.2 cents per share) to shareholders whose names appear on the Registers of Members of the Company on 19 May 2011. The proposed final dividend will be paid on 20 May 2011 following the approval at the Annual General Meeting.



Harbour Ring Plaza, Shanghai

CHAIRMAN'S STATEMENT

BUSINESS OVERVIEW

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

During the year, the Group continued to hold debt securities issued by a subsidiary of Hutchison Whampoa Limited. These debt securities provide an effective interest yield of approximately 5% which is higher than the prevailing low interest yield offered by bank deposits. As at 31 December 2010, the fair market value of the debt securities was HK\$1,228.4 million (2009: HK\$1,210.8 million).

Considering the prevailing competitive environment for the technology business, the Group disposed of its Technology Division in March 2010. The Group also disposed of its Licensing and Sourcing Division in September 2010, following the review by management of the strategic direction and the expected contribution of the Licensing and Sourcing Division after the closure of the quadrennial World Cup event in July 2010. Total gains of HK\$19.2 million were recognised from these disposals.

OUTLOOK

Going forward, the Company's activities will comprise the rental of its two office and commercial premises which contributes stable rental income and profit, and income from its financial investments.

The Company has maintained a healthy balance sheet with cash, cash equivalents and other liquid listed investments of HK\$5,803.6 million as at 31 December 2010 (2009: HK\$5,948.4 million). With this robust liquidity position, management can prudently explore other opportunities for the Company.

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

Fok Kin-ning, Canning
Chairman

Hong Kong, 21 March 2011

REVIEW OF OPERATIONS



Harbour Ring Huang Pu Centre, Shanghai

PROPERTY DIVISION

Revenue for the two office and commercial premises in Shanghai during the year decreased from HK\$84.3 million in 2009 to HK\$82.2 million in 2010, but recurring EBIT, excluding the profit on revaluation of investment properties of HK\$14.6 million (2009: HK\$0.8 million), recorded an increase of HK\$0.2 million to HK\$71.5 million. Increase in EBIT was attributable to savings in operating costs, which was partially offset by the revenue decline from lower average occupancy.

DISCONTINUED OPERATIONS – TECHNOLOGY AND LICENSING AND SOURCING DIVISIONS

The Technology Division was disposed of in March 2010 and the Licensing and Sourcing Division was disposed of in September 2010 for a total gain of HK\$19.2 million. Net profit after tax for the year attributable to these discontinued operations, including the above total gain on disposal, amounted to HK\$19.6 million (2009: loss HK\$33.0 million) and HK\$18.8 million (2009: loss HK\$34.0 million) before and after non-controlling interests respectively.

PROSPECTS

With the gradual recovery of the global and domestic economies, demand for office premises in Shanghai is expected to increase and leasing momentum remains strong. The Company is optimistic that the Property Division will continue to generate stable recurring revenue and profit.

The 2010 results were achieved through the relentless efforts of the management and employees. I would like to join our Chairman to express my sincere gratitude and appreciation for their efforts and contributions throughout the year.

Tsui Kin Tung, Tony
Managing Director

Hong Kong, 21 March 2011

CAPITAL RESOURCES AND OTHER INFORMATION

CAPITAL RESOURCES AND LIQUIDITY

As at 31 December 2010, the Group's total cash and cash equivalents, together with other liquid listed investments amounted to HK\$5,803.6 million (2009: HK\$5,948.4 million).

As at 31 December 2010, the Group's total borrowings were HK\$40.1 million (2009: HK\$40.0 million), which were the loans from non-controlling shareholders of the Group's subsidiaries.

TREASURY POLICIES

As at 31 December 2010, the Group had no material exposure under foreign exchange contracts, interest or currency swaps or other financial derivatives.

CHARGES AND CONTINGENT LIABILITIES

The Group had neither any charges on its assets nor provided any guarantee as at 31 December 2010 and 31 December 2009.

HUMAN RESOURCES

As at 31 December 2010, the Group employed 68 staff members (2009: 1,172). Total employee costs for the year ended 31 December 2010, including directors' emoluments, amounted to HK\$41.0 million (2009: HK\$87.0 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 59, has been Director since 1992 and Chairman since 2002. He is also Chairman of the Remuneration Committee of the Company. Mr Fok is executive director and group managing director of Hutchison Whampoa Limited ("HWL"). He is chairman of Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH"), Hutchison Telecommunications (Australia) Limited ("HTAL"), Hutchison Port Holdings Management Pte. Limited ("HPH Management") (as trustee-manager of Hutchison Port Holdings Trust) and Power Assets Holdings Limited ("Power Assets", formerly known as Hongkong Electric Holdings Limited) and co-chairman of Husky Energy Inc. He is also deputy chairman of Cheung Kong Infrastructure Holdings Limited ("CKI"), non-executive director of Cheung Kong (Holdings) Limited ("CKH") and 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 (the "SFO"). He holds a Bachelor of Arts degree and a Diploma in Financial Management, and is a member of The Institute of Chartered Accountants in Australia.

LAI Kai Ming, Dominic, aged 57, has been Director since 1994 and Deputy Chairman since 2001. He is also Alternate Director to Mrs Chow Woo Mo Fong, Susan. He is executive director of HWL, non-executive director of HTHKH, director of HIL and HTAL and alternate director of Promising Land. HWL, HIL and Promising Land are substantial shareholders of the Company within the meaning of Part XV of the SFO. He has over 27 years of management experience in different industries. He also holds a Bachelor of Science (Hons) degree and a Master's degree in Business Administration.

TSUI Kin Tung, Tony, aged 51, has been Managing Director and Executive Director since November 2010. He is also deputy managing director of Hutchison Whampoa Properties Limited ("HWPL") and holds directorships in certain companies controlled by HWL and HIL, both of which are substantial shareholders of the Company within the meaning of Part XV of the SFO. Mr Tsui is a professional Surveyor and a member of the Royal Institution of Chartered Surveyors and The Hong Kong Institute of Surveyors. He has been working in the real estate industry for over 30 years and possesses in-depth knowledge of the real estate markets in Hong Kong and China.

CHOW WOO Mo Fong, Susan, aged 57, has been Executive Director since 2001. She is executive director and deputy group managing director of HWL. She is also executive director of CKI and Power Assets, non-executive director of HTHKH and TOM Group Limited, director of HTAL, HIL and Uptalent Investments Limited ("Uptalent"). Mrs Chow is also alternate director of HPH Management (as trustee-manager of Hutchison Port Holdings Trust). HWL, HIL and Uptalent are substantial shareholders of the Company within the meaning of Part XV of the SFO. She is a solicitor and holds a Bachelor's degree in Business Administration.

CHOW Wai Kam, Raymond, JP, aged 63, has been Executive Director since 2001. He is group managing director of HWPL and Harbour Plaza Hotel Management (International) Limited. He also holds directorships in certain companies controlled by HWL and HIL, both of which are substantial shareholders of the Company within the meaning of Part XV of the SFO. 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 59, has been Executive Director and Company Secretary since 2001. She is also Alternate Director to Mr Fok Kin-ning, Canning. She is the head group general counsel and company secretary of HWL. She is also non-executive director of Hutchison China MediTech Limited ("HCML"), director of 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 SFO. Ms Shih is a member of the Listing Committee of The Stock Exchange of Hong Kong Limited, the Standing Committee on Company Law Reform and the Council of The Hong Kong Institute of Certified Public Accountants. She is currently Vice President of The Hong Kong Institute of Chartered Secretaries and Chairman of its Education Committee. She holds a Bachelor of Science degree in Education and a Master of Arts degree from the University of the Philippines, a Master of Arts degree and a Master of Education degree from Columbia University, New York. 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 76, has been Executive Director since 2002. He is also non-executive director of HCML. 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, *GBM, CVO, GBS, OBE, JP*, aged 72, has been Director since 2001. He is currently Non-executive Director and 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. Mr Arculli was awarded the Grand Bauhinia Medal and Gold Bauhinia Star medal by the government of the HKSAR in 2010 and 2001 respectively. In addition, he also holds a number of directorships in listed companies in Hong Kong including Hang Lung Properties Limited, HKR International Limited, Power Assets, SCMP Group Limited, Sino Hotels (Holdings) Limited, Sino Land Company Limited and Tsim Sha Tsui Properties Limited.

KWAN Kai Cheong, aged 61, has been Independent Non-executive Director since 2004. He is also Alternate Director to Mr Ronald Joseph Arculli and Chairman of the Audit Committee and member of the Remuneration Committee of the Company. He is an independent non-executive director of SPG Land (Holdings) Limited, Win Hanverky Holdings Limited, Galaxy Resources 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 51, has been Independent Non-executive Director since 2004. He is also Alternate Director to Mr Lan Hong Tsung, David and 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 PCLL in law (and has completed the Bar Course) from the City University of Hong Kong, a Certificate in Professional Accountancy from the Chinese University of Hong Kong SCS, a LLM in law from the University of Wolverhampton in the United Kingdom, and a Doctor of Philosophy from the University of Hong Kong. Dr Lam has over 28 years of multinational general management, strategy consulting, corporate governance, investment banking, and direct investment experience. He is chairman of Monte Jade Science and Technology Association of Hong Kong, and serves on the board of several publicly-listed companies in the Asia Pacific region. Having served as a part-time member of the Central Policy Unit of the Government of the Hong Kong Special Administrative Region for two terms, Dr Lam is a member of the Jilin Province Committee of the Chinese People's Political Consultative Committee, a member of the Hong Kong Institute of Bankers, a member of the Young Presidents' Organization, a member of the Chief Executives Organization, a Fellow of the Hong Kong Institute of Directors, and a member of the General Committee and the Corporate Governance Committee of the Chamber of Hong Kong Listed Companies.

LAN Hong Tsung, David, *Member-CPPCC, GBS, ISO, JP*, aged 70, has been Independent Non-executive Director since 2005. He is currently the chairman of David H T Lan Consultants Limited. He is also independent non-executive director of CKI, HTHKH, ARA Asset Management (Fortune) Limited (as manager of Fortune Real Estate Investment Trust), ARA Asset Management (Prosperity) Limited (as manager of Prosperity Real Estate Investment Trust), SJM Holdings Limited and Nanyang Commercial Bank, Limited. He is also 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 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 2010 Interim Report are set out below:

Name of Director	Details of Changes
Fok Kin-ning, Canning	Appointed as a director and chairman of Hutchison Port Holdings Management Pte. Limited ("HPH Management", the trustee-manager of Hutchison Port Holdings Trust which is listed on the Main Board of Singapore Exchange Securities Trading Limited on 18 March 2011) on 14 February 2011 and 23 February 2011 respectively and designated as non-executive director of HPH Management on 23 February 2011
Chow Woo Mo Fong, Susan	Appointed as alternate director to Fok Kin-ning, Canning, chairman and non-executive director of HPH Management on 14 February 2011
Ronald Joseph Arculli	<p>Appointed as honorary president (Business) of Hong Kong Federation of Business Students – Honorary Advisory Board effective from 14 September 2010</p> <p>Appointed as chairman of Common Purpose Charitable Foundation Limited effective from 22 September 2010</p> <p>Appointed as chairman of World Federation of Exchanges effective from 12 October 2010</p> <p>Appointed as honorary professor of Hong Kong Baptist University – School of Business effective from 18 October 2010</p> <p>Appointed as honorary advisor of Hong Kong Union for Young Leaders effective from 6 January 2011</p> <p>Ceased to be vice-chairman of World Federation of Exchanges effective from 12 October 2010</p>
Kwan Kai Cheong	<p>Appointed as an independent non-executive director of Galaxy Resources Limited, whose shares are listed on the Australian Securities Exchange, effective from 13 October 2010</p> <p>Resigned as an independent non-executive director of Soundwill Holdings Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, effective from 7 January 2011</p>

CHANGES IN INFORMATION OF DIRECTORS

Name of Director	Details of Changes
Lam Lee G.	<p>Appointed as an independent director of Top Global Limited, whose shares are listed on the Main Board of Singapore Exchange Securities Trading Limited, effective from 26 April 2010</p> <p>Appointed as an independent non-executive director of Imagi International Holdings Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, effective from 11 May 2010</p> <p>Re-designated as lead independent director of Rowsley Ltd., whose shares are listed on the Main Board of Singapore Exchange Securities Trading Limited, effective from 1 August 2010</p> <p>Appointed as the independent non-executive chairman of the board of Finet Group Limited, effective from 30 September 2010 but resigned effective from 25 January 2011</p> <p>Appointed as an independent non-executive director of Sino Resources Group Limited, whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited, effective from 24 November 2010</p> <p>Appointed as an independent non-executive director of TMC Life Sciences Berhad, whose shares are listed on the Main Board of Bursa Malaysia Securities Berhad, effective from 22 December 2010</p> <p>Admitted as a Fellow of Hong Kong Institute of Arbitrators effective from 22 April 2010</p> <p>Admitted as a Member of the Chief Executives Organization effective from August 2010</p> <p>Awarded a Certificate in Professional Accountancy from the School of Continuing and Professional Studies of the Chinese University of Hong Kong on 14 September 2010</p> <p>Awarded Accreditation Certificate from the Centre for Effective Dispute Resolution on 3 November 2010</p>

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 2010.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries are shown on page 92.

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 2010 are set out in the consolidated income statement on page 44.

DIVIDENDS

No interim dividend for the year ended 31 December 2010 was paid and the Directors recommend the declaration of a final dividend at the rate of HK2.2 cents per share payable on Friday, 20 May 2011 to all persons registered as holders of the Company's shares on Thursday, 19 May 2011. The Registers of Members will be closed from Friday, 13 May 2011 to Thursday, 19 May 2011, 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 30 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\$3,000 (2009: HK\$13,000).

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Particulars of the movements of property, plant and equipment and investment properties are set out in notes 16 and 17 to the accounts, respectively.

PROPERTIES

Particulars of major properties of the Group are set out on pages 94 and 95.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 28 to the accounts.

REPORT OF THE DIRECTORS

DIRECTORS

The board of Directors of the Company (the "Board") as at 31 December 2010 comprised eleven Directors, including (i) seven Executive Directors, namely, Mr Fok Kin-ning, Canning (Chairman), Mr Lai Kai Ming, Dominic (Deputy Chairman), Mr Tsui Kin Tung, Tony (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 95, 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"), Mr Fok Kin-ning, Canning, Mr Tsui Kin Tung, Tony, Ms Edith Shih and Mr Kwan Kai Cheong 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 6 to 8.

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) 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;

REPORT OF THE DIRECTORS

- (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.
- (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.

REPORT OF THE DIRECTORS

- (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 2010:

	Grant date	Options held at 1 January 2010	Options granted during the year	Options exercised during the year	Options cancelled/lapsed during the year	Options held at 31 December 2010	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) ⁽⁴⁾	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
Sub-total		17,000,000	-	-	(12,000,000)	5,000,000				
Other employees										
	3.6.2005	7,900,000	-	(5,500,000)	(1,800,000)	600,000	3.6.2006 - 2.6.2015	0.822	0.82	1.01
	25.5.2007	12,868,000	-	(9,232,000)	(2,100,000)	1,536,000	25.5.2008 - 24.5.2017	0.616	0.61	0.93
Sub-total		20,768,000	-	(14,732,000)	(3,900,000)	2,136,000				
Total		37,768,000	-	(14,732,000)	(15,900,000)	7,136,000				

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) Ms Chan Wen Mee, May (Michelle) resigned as Managing Director and Executive Director of the Company with effect from 1 November 2010.

The fair value of granted options estimated in accordance with the Binomial valuation model is disclosed in Note 29 to the accounts.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2010 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 ("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" 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 "HWL Group") on the other hand for a term of three years from 1 January 2009 to 31 December 2011 ("HWL Master Agreement Period").

The "HHR Supplies", being the supplies to be provided by the Group to the HWL Group as defined in the HWL Master Agreement, 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 accessories; beauty and health products; sports goods; pet products; product design services; sales referral; marketing, distribution and outsourcing services.

The "HWL Supplies", being the supplies to be provided by the HWL Group to the Group as defined in the HWL Master Agreement, included mobile handsets; premium products; 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 2010 at (i) HK\$10,000,000; and (ii) HK\$37,000,000 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 Period constituted or are expected to constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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

On 17 April 2009, the Company entered into an agreement ("HTHKH Master Agreement") with Hutchison Telecommunications Hong Kong Holdings Limited ("HTHKH", a subsidiary of HWL) setting the framework terms for the provision of the "Group Supplies" and the "HTHKH Group Supplies" between the relevant members of the Group and the relevant members of HTHKH ("HTHKH Group") for a period of three years commencing from 8 May 2009 to 7 May 2012 ("HTHKH Master Agreement Period").

The "Group Supplies", being the supplies by the Group to HTHKH Group as defined in the HTHKH Master Agreement, included (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.

REPORT OF THE DIRECTORS

The "HTHKH Group Supplies", being the supplies by HTHKH Group to the Group as defined in the HTHKH Master Agreement, included 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).

Notwithstanding that the Group Supplies and the HTHKH Group Supplies had been subject to the HWL Master Agreement described in (I) above, on 8 May 2009, the Company announced the entering into of the HTHKH Master Agreement as a result of the separate listing of the shares of HTHKH on the SEHK and that it had set the maximum aggregate annual value of (i) Group Supplies; and (ii) HTHKH Group Supplies for the year ended 31 December 2010 at (i) HK\$1,700,000; and (ii) HK\$2,200,000 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 Period constituted or are expected to constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

(III) 2009 and 2010 Master Agreements for Acquisition of Connected Debt Securities

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

The consideration for the Connected Debt Securities would be on normal commercial terms to be determined with reference to market prices quoted on financial data providers (such as Bloomberg), which would 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 would 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.

The cap applicable to the transactions contemplated under the 2009 CDS Master Agreement and effected during the 2009 CCT Relevant Period (as described below and defined in the 2009 CDS Master Agreement) was set subject to the following limitations:

- (i) the 2009 Net Connected Debt Securities Position (as described below and defined in the 2009 CDS Master Agreement) during the 2009 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

REPORT OF THE DIRECTORS

- (ii) the 2009 Net Connected Debt Securities Position of the Group at any time during the 2009 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.

"2009 CCT Relevant Period" means the period from the obtaining of the 2009 CCT Approval (as described below and defined in the 2009 CDS 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 2009 CCT Approval is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company.

"2009 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.

"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 2009 CDS Master Agreement.

"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 2009 CDS Master Agreement entered into during the 2009 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 ("2009 CCT Approval").

In anticipation of the expiry of the 2009 CCT Approval at the conclusion of the annual general meeting of the Company held on 7 May 2010, the Company entered into another conditional Master Agreement ("2010 CDS Master Agreement") with HWL on 12 April 2010 based on substantially the same terms and conditions of the 2009 CDS Master Agreement and subject to, inter alia, the Company obtaining all applicable approvals (including the 2010 CCT Approval (as described below and defined in the 2010 CDS Master Agreement), if applicable).

The cap applicable to the transactions contemplated under the 2010 CDS Master Agreement and effected during the 2010 CCT Relevant Period (being the period from the obtaining of the 2010 CCT Approval (as described below and defined in the 2010 CDS 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 2010 CCT Approval is revoked or varied by an ordinary resolution of the shareholders in general meeting of the Company) was set subject to substantially the same limitations as set out in the 2009 CDS Master Agreement.

REPORT OF THE DIRECTORS

The transactions underlying the 2010 CDS Master Agreement entered into during the 2010 CCT Relevant Period constituted or are expected to constitute continuing connected transactions (the "HWL Debt Securities Transactions") for the Company and were approved by the shareholders of the Company by poll at the special general meeting of the Company held on 7 May 2010 at which HWL and its associates abstained from voting under the Listing Rules ("2010 CCT Approval").

(IV) Sub-Tenancy Agreement

On 20 May 2009, Hutchison Harbour Ring Industries Limited ("HHRI", a former indirect wholly owned subsidiary of the Company) as tenant entered into a sub-tenancy agreement ("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 Unit 501, 5th Floor, Harbourfront Landmark, No. 11 Wan Hoi Street, Hung Hom, Kowloon, Hong Kong ("Premises") for a term of thirty months and fifteen days from 16 April 2009 to 30 October 2011 (both days inclusive) ("Term").

Under the Sub-Tenancy Agreement, the aggregate monthly rental and service charges payable by HHRI to TIL throughout the 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 Sub-Tenancy Agreement for the year ended 31 December 2010 at HK\$4,900,000 by reference to the factors as announced.

On 27 August 2010, a novation agreement to Sub-Tenancy Agreement was entered into between HHRI as the old tenant, TIL as the landlord and Mitsuda Corporation Limited (an indirect wholly owned subsidiary of the Company) as the replacement tenant to occupy the Premises with effect from 30 August 2010 for the residue of the unexpired Term created by the Sub-Tenancy Agreement.

TIL is a connected person of the Company by virtue of being an associate of HWL, a substantial shareholder of the Company. The sub-tenancy under the 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 2010 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. The Company confirmed that there were no HWL Debt Securities Transactions entered into by the Group for the year ended 31 December 2010.

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 under items (I), (II) and (IV) above during the year ended 31 December 2010 (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; and there were no HWL Debt Securities Transactions entered into by the Group during the year ended 31 December 2010.

REPORT OF THE DIRECTORS

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

As at 31 December 2010, 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	0.05576%
Endo Shigeru	Beneficial owner	Personal interest	80,000	5,000,000 ⁽²⁾	5,080,000	0.05665%

Notes:

- (1) Such shares were held by a company which is equally controlled 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 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	6,010,875 ⁽¹⁾	6,010,875	0.14099%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	50,000	0.00117%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	150,000	0.00352%
Edith Shih	Beneficial owner Interest of spouse	Personal interest Family interest	57,200) 7,400)	64,600	0.00152%
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 controlled 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 2010, 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 HTHKH;
- (iii) 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;

REPORT OF THE DIRECTORS

- (iv) corporate interests in a nominal amount of US\$4,000,000 in the 5.75% Notes due 2019 issued by Hutchison Whampoa International (09/19) Limited; and
- (v) corporate interests in a nominal amount of US\$5,000,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) 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 controlled by Mr Fok and his spouse.

As at 31 December 2010, Mr Tsui Kin Tung, Tony had personal interests in his capacity as a beneficial owner in a nominal amount of US\$200,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited.

As at 31 December 2010, Mrs Chow Woo Mo Fong, Susan had personal interests in her capacity as a beneficial owner in 250,000 ordinary shares, representing approximately 0.005% of the issued share capital, in HTHKH.

As at 31 December 2010, 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 US\$300,000 in the 7.625% Notes due 2019 issued by Hutchison Whampoa International (09) Limited;
- (iv) a nominal amount of US\$300,000 in the 6.625% Guaranteed Perpetual Capital Securities issued by PHBS Limited; and
- (v) a nominal amount of US\$200,000 in the Subordinated Guaranteed Perpetual Capital Securities issued by Hutchison Whampoa International (10) Limited.

Save as disclosed above, as at 31 December 2010, 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 2010, 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	71.37%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.37%
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	71.37%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTC0")	Trustee	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.37%
Cheung Kong (Holdings) Limited ("CKH")	Interest of controlled corporations	6,399,728,952 ^{(1),(2),(3)}	6,399,728,952	71.37%
HWL	Interest of controlled corporations	6,399,728,952 ^{(1),(2)}	6,399,728,952	71.37%
HIL	Interest of controlled corporations	6,399,728,952 ^{(1),(2)}	6,399,728,952	71.37%
Promising Land International Inc. ("Promising Land")	Beneficial owner	4,155,284,508 ⁽¹⁾	4,155,284,508	46.34%
Uptalent Investments Limited ("Uptalent")	Beneficial owner	2,244,444,444 ⁽²⁾	2,244,444,444	25.03%

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	804,234,000	8.97%

Saved as disclosed above, as at 31 December 2010, 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 2010, 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 2010 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
Tsui Kin Tung, Tony	Hutchison Whampoa Properties Limited ("HWPL")	Deputy Managing 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	HWPL	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 2010, 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 27(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 93.

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 2010 attributable to the Group's major customers and suppliers were as follows:

	Percentage of the Group's	
	Total Sales	Total Purchases
The largest supplier	N/A	15.5%
Five largest suppliers combined	N/A	55.8%

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.

During the year ended 31 December 2010, the percentage of sales attributable to the five largest customers combined of the Group was less than 30% of the total value of the Group's sales.

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\$2,485 million, representing approximately 28.57% 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, 21 March 2011

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 shareholders' value and safeguarding 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 2010. 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 Group 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 2010, 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 "Biographical Details of Directors and Senior Management" section on pages 6 to 8.

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.

CORPORATE GOVERNANCE REPORT

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. The Chairman 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, Mr Tsui Kin Tung, Tony, 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 Group Financial Controller, Ms Wan Wing Sze, May, 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 Group Financial Controller, 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 if necessary. He maintains an ongoing dialogue with the Chairman, the Deputy Chairman and all Directors, keeping them fully informed of all major business development and issues. He is also responsible for building and maintaining an effective executive team to support him in his 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.

CORPORATE GOVERNANCE REPORT

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.

The Board held four meetings in 2010 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 <i>(Deputy Chairman)</i>	4/4
	Tsui Kin Tung, Tony ⁽¹⁾ <i>(Managing Director)</i>	1/1
	Chan Wen Mee, May (Michelle) ⁽²⁾ <i>(Managing Director)</i>	3/3
	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

Notes:

(1) *Appointed with effect from 1 November 2010*

(2) *Resigned with effect from 1 November 2010*

CORPORATE GOVERNANCE REPORT

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 and re-election by shareholders at the annual general meeting at least about once every three years 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 of specific enquiries made of them, all Directors confirmed that they have complied with the Model Code in their securities transactions throughout 2010.

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.

CORPORATE GOVERNANCE REPORT

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, 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 42 to 43 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 the 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.

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 and interim 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 necessary and perform investigations of all its members.

CORPORATE GOVERNANCE REPORT

The Audit Committee held four meetings in 2010 with 92% attendance of its members.

Name of Member	Attended/Eligible to attend
Kwan Kai Cheong (<i>Chairman</i>)	4/4
Ronald Joseph Arculli	4/4
Lam Lee G.	3/4

During the year, the Audit Committee met with the Group Financial Controller and other senior management of the Group from time to time to review the interim and final results, the interim report and annual report, and other financial, internal control and risk management matters 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, Group Financial Controller and internal auditor of the Group's holding company 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's 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 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.

CORPORATE GOVERNANCE REPORT

- 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 - include, 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.

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 2010, 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 the 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.

CORPORATE GOVERNANCE REPORT

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 reforecasts, 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 Group Financial Controller and members of the Group Finance team to review monthly performance against budget and forecast, and to address accounting and finance related matters.

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 Group Financial Controller 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 Group Financial Controller 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.

CORPORATE GOVERNANCE REPORT

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 Group Financial Controller 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 Group Financial Controller. 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 2010 covering all material financial, operational and compliance controls and risk management functions and is satisfied that such systems are effective and adequate. In addition, it has also reviewed and was satisfied with the adequacy of resources, qualifications and experience of the staff of the Group's accounting and financial reporting function, and their training programmes and budget.

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 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.

CORPORATE GOVERNANCE REPORT

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 2010 to review background information on market data (including economic indicators, statistics and 2011 Remuneration Review Guidelines of the Group), the Group's business activities and human resources issues, and headcount and staff costs. The Committee also reviewed and approved the proposed 2011 directors' fees of Executive Directors, 2010 year end bonus and 2011 remuneration package of the Executive Directors and senior management of the Company and made recommendation to the Board on the proposed 2011 directors' fees for Non-executive Directors. The Executive Directors do not participate in the determination of their own remuneration.

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.

CORPORATE GOVERNANCE REPORT

Directors' emoluments comprise payments to Directors from the Company and its subsidiaries. The amounts paid to each Director for 2010 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 ⁽⁹⁾ HK\$'000	Total Emoluments HK\$'000
Fok Kin-ning, Canning ⁽¹⁾	90 ⁽⁷⁾	-	-	-	-	90
Lai Kai Ming, Dominic	70 ⁽⁷⁾	-	-	-	-	70
Tsui Kin Tung, Tony ⁽²⁾	12 ⁽⁸⁾	325	-	55	-	392
Chan Wen Mee, May (Michelle) ⁽³⁾	58 ⁽⁷⁾	1,623	2,000	121	-	3,802
Chow Woo Mo Fong, Susan	70 ⁽⁷⁾	-	-	-	-	70
Chow Wai Kam, Raymond	70 ⁽⁸⁾	-	-	-	-	70
Edith Shih	70 ⁽⁷⁾	-	-	-	-	70
Endo Shigeru	70 ⁽⁷⁾	-	-	-	-	70
Ronald Joseph Arculli ^{(4),(5)}	140	-	-	-	-	140
Kwan Kai Cheong ^{(1),(5),(6)}	160	-	-	-	-	160
Lam Lee G. ^{(1),(5),(6)}	160	-	-	-	-	160
Lan Hong Tsung, David ⁽⁶⁾	70	-	-	-	-	70
Total:	1,040	1,948	2,000	176	-	5,164

Notes:

(1) Members of the Remuneration Committee

(2) Appointed with effect from 1 November 2010

(3) Resigned with effect from 1 November 2010

(4) Non-executive Director

(5) Members of the Audit Committee

(6) Independent Non-executive Directors

(7) Paid to Hutchison Whampoa Limited

(8) Paid to Hutchison Whampoa Properties Limited

(9) 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(s) 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 29 to the accounts.

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.

CORPORATE GOVERNANCE REPORT

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 requests 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 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 latest shareholders' meetings of the Company were the 2010 Annual General Meeting (the "AGM") and the Special General Meeting (the "SGM"), both of which were held on 7 May 2010 at Harbour Grand Kowloon, Hung Hom, Kowloon, Hong Kong attended by a majority of the Directors including the Chairman of the Board, the Audit Committee and the Remuneration Committee. The Directors are requested and encouraged to attend shareholders' meetings. Separate resolutions were proposed at those meetings on each substantive issue and the percentage of votes cast in favour of such resolutions as disclosed in the announcement of the Company dated 7 May 2010 are set out below:

Resolutions proposed at the AGM		Percentage of Votes
1	Adoption of the Statement of Audited Accounts, the Report of the Directors and the Independent Auditor's Report for the year ended 31 December 2009	100%
2	Declaration of a final dividend	100%
3(i)	Re-election of Ms Chan Wen Mee, May (Michelle) as a Director	99.88%
3(ii)	Re-election of Mr Endo Shigeru as a Director	99.34%
3(iii)	Re-election of Mr Ronald Joseph Arculli as a Director	99.45%
3(iv)	Re-election of Dr Lam Lee G. as a Director	100%
3(v)	Authorisation of the Board of Directors of the Company to fix the Directors' remuneration	100%
4	Re-appointment of Auditor and authorisation of the Board of Directors of the Company to fix the Auditor's remuneration	99.99%

CORPORATE GOVERNANCE REPORT

Resolutions proposed at the AGM		Percentage of Votes
5(1)	Granting of a general mandate to the Directors of the Company to allot and issue securities of the Company	99.17%
5(2)	Authorisation of the Directors of the Company to repurchase shares of the Company	100%
5(3)	Approval of the addition of the repurchased shares to the aggregate nominal share capital that can be allotted	99.17%

Resolutions proposed at the SGM		Percentage of Votes
A	Approval and ratification of the entering into of the Master Agreement made between the Company and Hutchison Whampoa Limited ("HWL") setting out the basis upon which bonds, notes, commercial paper and other similar debt instruments ("Connected Debt Securities") may be issued by HWL or its subsidiaries and acquired by the Company or its subsidiaries	100%
B	Empowerment to the Directors to approve possible acquisitions of Connected Debt Securities subject to and in accordance with the prescribed terms and conditions	

All resolutions put to shareholders at those meetings 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 for 2011 and public float capitalisation as at 31 December 2010.

Information concerning the Group and its business can be located from the Company'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 email to the Company's website.

By Order of the Board

Edith Shih
Director and Company Secretary

Hong Kong, 21 March 2011

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 44 to 92, which comprise the consolidated and company statements of financial position as at 31 December 2010, 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 information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED ACCOUNTS

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated accounts based on our audit 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 about whether the consolidated accounts are free from material misstatement.

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

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

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 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 21 March 2011

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Continuing operations			
Revenue	5	82,185	84,308
Cost of sales		(13,675)	(13,760)
Gross profit		68,510	70,548
Interest income		75,190	57,127
Other income, net		67,639	179,868
Administrative expenses		(47,754)	(52,462)
Selling and distribution costs		(1,835)	(2,947)
Operating profit	6	161,750	252,134
Finance costs	7	(1,767)	(1,192)
Profit before tax		159,983	250,942
Tax charge	8	(19,123)	(21,978)
Profit for the year from continuing operations		140,860	228,964
Discontinued operations			
Profit/(loss) for the year from discontinued operations	9	19,554	(32,950)
Profit for the year		160,414	196,014
Profit attributable to:			
Non-controlling interests		8,262	7,892
Shareholders of the Company	10	152,152	188,122
		160,414	196,014
Basic and diluted earnings/(losses) per share			
attributable to shareholders of the Company	11		
- From continuing operations		HK1.49 cents	HK2.48 cents
- From discontinued operations		HK0.21 cents	HK(0.38) cents
		HK1.70 cents	HK2.10 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 2010

	2010 HK\$'000	2009 HK\$'000
Profit for the year	160,414	196,014
Other comprehensive income/(expenses):		
Translating accounts of foreign operations:		
- Gains taken to reserves	28,669	18,884
- Gains transferred to income statement	(17,157)	(26,778)
Available-for-sale financial assets:		
- Valuation gains taken to reserves	28,932	57,192
- Valuation gains transferred to income statement	(3,265)	(8,664)
Surplus on revaluation upon transfer of land and buildings to investment properties	-	885
Other comprehensive income for the year, net of tax *	37,179	41,519
Total comprehensive income for the year	197,593	237,533
Total comprehensive income attributable to:		
Non-controlling interests	10,880	12,618
Shareholders of the Company	186,713	224,915
	197,593	237,533

* There is no tax effect on each component of the other comprehensive income/(expenses) for the year ended 31 December 2010 and 2009.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	7,836	10,906
Investment properties	17	937,521	903,372
Leasehold land and land use rights	18	3,440	3,726
Available-for-sale financial assets	20	1,228,390	1,210,763
		2,177,187	2,128,767
Current assets			
Inventories	21	-	20,965
Trade receivables	22	1,805	16,857
Deposits, prepayments and other receivables		36,682	67,204
Available-for-sale financial assets	20	-	3,295
Cash and bank deposits	23	4,575,232	4,734,296
		4,613,719	4,842,617
Total assets		6,790,906	6,971,384
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	28	896,680	895,207
Reserves		5,314,461	5,316,395
		6,211,141	6,211,602
Non-controlling interests		117,092	113,406
Total equity		6,328,233	6,325,008
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	26	137,195	130,721
Other non-current financial liabilities	27	-	51,960
		137,195	182,681
Current liabilities			
Trade payables	24	-	36,328
Deposits received, other payables and accruals	25	245,369	388,348
Other current financial liabilities	27	40,115	-
Tax payables		39,994	39,019
		325,478	463,695
Total liabilities		462,673	646,376
Total equity and liabilities		6,790,906	6,971,384
Net current assets		4,288,241	4,378,922
Total assets less current liabilities		6,465,428	6,507,689

Lai Kai Ming, Dominic
Deputy Chairman

Tsui Kin Tung, Tony
Managing Director

STATEMENT OF FINANCIAL POSITION

At 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
ASSETS			
Non-current assets			
Investments in subsidiaries	19	659,085	659,099
Current assets			
Amounts due from subsidiaries	35(e)	1,340,186	2,566,853
Deposits, prepayments and other receivables		1,091	1,930
Cash and bank deposits	23	4,006,639	4,053,612
		5,347,916	6,622,395
Total assets		6,007,001	7,281,494
EQUITY			
Share capital	28	896,680	895,207
Reserves	30	5,058,633	5,887,348
Total equity		5,955,313	6,782,555
LIABILITIES			
Current liabilities			
Other payables and accruals		9,614	11,510
Amounts due to subsidiaries	35(e)	42,074	487,429
Total liabilities		51,688	498,939
Total equity and liabilities		6,007,001	7,281,494
Net current assets		5,296,228	6,123,456
Total assets less current liabilities		5,955,313	6,782,555

Lai Kai Ming, Dominic
Deputy Chairman

Tsui Kin Tung, Tony
Managing Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	2010 HK\$'000	2009 HK\$'000
Continuing operations			
Operating activities			
Cash generated from operating activities before finance costs, tax paid and changes in working capital	31(a)	43,916	18,228
Changes in working capital	31(b)	(17,337)	38,247
Cash generated from continuing operations		26,579	56,475
Interest received		87,084	58,926
Income tax refund - Hong Kong		-	246
Income tax paid - outside Hong Kong		(12,511)	(14,610)
Net cash from operating activities		101,152	101,037
Investing activities			
Net cash outflow on disposal/liquidation of subsidiaries	31(c)	(36,219)	(3,446)
Increase in bank deposits with maturity over three months		(9,596)	(204,178)
Purchase of property, plant and equipment		-	(529)
Proceeds on disposal of property, plant and equipment		153	3,390
Purchase of available-for-sale financial assets		-	(1,189,983)
Proceeds on disposal of available-for-sale financial assets		3,265	8,664
Net cash used in investing activities		(42,397)	(1,386,082)
Financing activities			
Proceeds from issue of shares		10,210	875
Dividend paid		(197,162)	(196,914)
Interest paid to non-controlling shareholders by subsidiaries		(7,032)	-
Dividend paid to non-controlling shareholders by subsidiaries		-	(10,193)
Net cash used in financing activities		(193,984)	(206,232)
Decrease in cash and cash equivalents		(135,229)	(1,491,277)
Discontinued operations			
(Decrease)/increase in cash and cash equivalents from discontinued operations	9(b)	(33,431)	59,273
Cash and cash equivalents at 1 January		4,530,118	5,962,122
Cash and cash equivalents at 31 December		4,361,458	4,530,118
Analysis of cash, liquid funds and listed investments			
Bank deposits with maturity of less than three months		4,247,148	4,334,403
Cash at banks and on hand		114,310	195,715
		4,361,458	4,530,118
Bank deposits with maturity over three months		213,774	204,178
Available-for-sale financial assets, overseas listed investments		1,228,390	1,214,058
Total cash, liquid funds and listed investments		5,803,622	5,948,354

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to shareholders of the Company						Non-	Total	
	Share capital	Share premium	Exchange reserve	Other properties revaluation reserve	Other reserves	Retained profits	controlling interests		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 January 2010	895,207	2,600,617	161,572	2,877	67,524	2,483,805	6,211,602	113,406	6,325,008
Gains on translating accounts of foreign operations:									
- Taken to reserves			25,998	53	-	-	26,051	2,618	28,669
- Transferred to income statement			(17,157)	-	-	-	(17,157)	-	(17,157)
Available-for-sale financial assets:									
- Valuation gains taken to reserves			-	-	28,932	-	28,932	-	28,932
- Valuation gains transferred to income statement			-	-	(3,265)	-	(3,265)	-	(3,265)
Net income recognised directly in equity			8,841	53	25,667	-	34,561	2,618	37,179
Profit for the year			-	-	-	152,152	152,152	8,262	160,414
Total comprehensive income			8,841	53	25,667	152,152	186,713	10,880	197,593
Relating to subsidiaries disposed of	-	-	-	(885)	-	885	-	(7,194)	(7,194)
Employee share option benefits	-	-	-	-	(222)	-	(222)	-	(222)
Issue of shares (Note 28)	1,473	11,107	-	-	(2,370)	-	10,210	-	10,210
Transfer between reserves	-	-	-	-	(3,447)	3,447	-	-	-
2009 final dividend paid	-	-	-	-	-	(197,162)	(197,162)	-	(197,162)
At 31 December 2010	896,680	2,611,724	170,413	2,045	87,152	2,443,127	6,211,141	117,092	6,328,233

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to shareholders of the Company						Non-controlling 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	
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 28)	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 non-controlling 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

Note:

Other reserves comprise investment revaluation reserve, share-based compensation reserve, capital redemption reserve, legal reserve and the China statutory reserve.

	Investment revaluation reserve HK\$'000	Share-based compensation reserve HK\$'000	Capital redemption reserve HK\$'000	Legal reserve HK\$'000	China statutory reserve HK\$'000	Total HK\$'000
At 1 January 2009	7,606	12,071	3,558	493	920	24,648
At 31 December 2009 and 1 January 2010	56,134	7,832	3,558	-	-	67,524
At 31 December 2010	81,801	1,793	3,558	-	-	87,152

NOTES TO THE ACCOUNTS

1 GENERAL INFORMATION

Hutchison Harbour Ring Limited (the "Company") and its subsidiaries (together, the "Group") were principally engaged in 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.

Non-controlling 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) 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.

(d) 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.

(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.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) 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.

(f) 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.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) 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.

(h) 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.

(i) 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.

(j) 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 or 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.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(k) 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.

(l) 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.

(m) 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.

(n) 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.

(o) 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.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) 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.

(q) 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.

(r) 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 Mainland China. 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 government of the Mainland China. 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.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) 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.

(t) Revenue recognition

(i) *Sale of goods*

Revenue is recognised when goods are delivered to customers which are 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.

(u) Interest income

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

(v) 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.

NOTES TO THE ACCOUNTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(w) 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.

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 2010. There have been no significant changes to the accounting policies applied in the accounts for the year ended 31 December 2010, except for the following adoption:

HK Interpretation 5 "Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause" – This Interpretation requires that the classification of a term loan as a current or a non-current liability in accordance with paragraph 69(d) of HKAS 1 Presentation of Financial Statements should be determined by reference to the rights and obligations of the lender and borrower, as contractually agreed between the two parties and in force as of the reporting date. Therefore, the interpretation requires that amounts payable under a loan agreement which includes a clause that gives the lender the unconditional right to call the loan at any time should be classified by the borrower as current liabilities in the statement of financial position.

The retrospective adoption of the new and revised HKFRSs has no financial impact on the consolidated financial statements at 31 December 2009.

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 issued in 2010 ¹
HKAS 12 (Amendments)	Income Taxes – Deferred Tax: Recovery of Underlying Assets ²
HKAS 24 (Revised)	Related Party Disclosures ¹
HKAS 32 (Amendment)	Classification of Rights Issues ¹
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters ¹
HKFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters ²
HKFRS 7 (Amendments)	Transfers of Financial Assets ²
HKFRS 9	Financial Instruments ³
Additions to HKFRS 9	Financial Instruments – Financial Liabilities ³
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement ¹
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments ¹

¹ Effective for the Group for annual periods beginning 1 January 2011

² Effective for the Group for annual periods beginning 1 January 2012

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 exception of HKAS 12 (Amendments), HKFRS 9 and Additions to HKFRS 9 in future periods is not expected to result in substantial changes to the Group's accounting policies.

HKAS 12 (Amendments) Income Taxes - Deferred Tax: recovery of Underlying Assets. The amendments apply to annual periods beginning 1 January 2012 and are available for early adoption. The current version of HKAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in HKAS 40 Investment Property. The amendments introduce a presumption that recovery of the carrying amount of an investment property is through sale. Accordingly, the effect that the adoption of the amendments will have on the results and financial position of the Group will depend on the timing of the adoption and the relevant applicable tax rate. As a result, it is impracticable to quantify the impact of amendments to HKAS 12 as at the date of publication of these accounts.

HKFRS 9 Financial Instruments introduces new requirements for classifying and measuring financial assets. Together with Additions to HKFRS 9 Financial Instruments - Financial Liabilities, these changes represent the first phase in the process to replace HKAS 39 Financial Instruments: Recognition and Measurement. The standard is not effective until 1 January 2013 but is available for early adoption. The second and third phases in the HKICPA's project to replace HKAS 39 will address the impairment of financial assets measured at amortised cost and hedge accounting. Accordingly, the impact of HKFRS 9 may change as a consequence of further development resulting from the HKICPA's project to replace HKAS 39. As a result, it is impracticable to quantify the impact of HKFRS 9 as at the date of publication of these accounts.

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.

NOTES TO THE ACCOUNTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(i) Market risk (Continued)

Foreign exchange risk (Continued)

At 31 December 2010, 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\$80,443,000 (2009: HK\$83,643,000) higher/lower, mainly as a result of foreign exchange gains/losses on translation of US dollar-denominated cash and cash equivalents. Profit is less sensitive to movement in the Hong Kong dollar/US dollar exchange rate in 2010 than 2009 because of the decreased amount of US dollar-denominated financial 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 2010, 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\$763,000 lower/higher (2009: HK\$1,675,000 higher/lower), mainly as a result of foreign exchange losses/gains on translation of Hong Kong dollar-denominated financial assets in Renminbi books. Profit is less sensitive to movement in the Hong Kong dollar/Renminbi exchange rate in 2010 than 2009 because of the reduced amount of Renminbi-denominated assets and Hong Kong dollar-denominated liabilities in Renminbi books.

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 21% 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 2010, 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\$45,752,000 (2009: HK\$47,343,000) higher/lower, mainly as a result of higher/lower interest income on floating rate deposits.

The Group has interest bearing on shareholders' loans from non-controlling shareholders. Loans from non-controlling shareholders were issued at fixed rates and exposed the Group to fair value interest rate risk. The finance costs on loans from non-controlling shareholders do not have significant financial impact to the Group.

NOTES TO THE ACCOUNTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iii) Credit risk

The aggregate sales to the five largest customers represent 24.8% (2009: 33.3%) of total revenue from continuing and discontinued operations, of which, no customer exceeds 10% of the total revenue from continuing and discontinued operations (2009: one 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 2010, the balance of trade and other receivables mainly represented rental receivables and interest receivable. 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. The Group performs periodic credit evaluations of these debtors to manage the risk.

There is no significant credit risk in relation to the Group's cash and bank deposits as cash and bank deposits are placed with reputable banks and financial institutions with good credit ratings. Over 84% of the Group's bank deposits were placed in an international financial institution in London with credit ratings of Aa2/AA as at 31 December 2010.

The Group's available-for-sales financial assets were listed in Luxembourg with credit rating of A3/A- as at 31 December 2010.

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.

NOTES TO THE ACCOUNTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	Non-contractual payment		Contractual payment			
	Less than 1 year	Over 5 years	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 31 December 2010						
Deposits received, other payables and accruals	100,875	-	941	-	-	-
Other current liabilities	-	-	40,115	-	-	-
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	-

(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 non-controlling 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 2010 and 2009 were as follows:

	2010 HK\$'000	2009 HK\$'000
Loan from non-controlling shareholders - interest bearing	40,115	40,025
Total debt	40,115	40,025
Total equity	6,328,233	6,235,008
Gearing ratio	0.6%	0.6%

NOTES TO THE ACCOUNTS

3 FINANCIAL RISK MANAGEMENT (Continued)

(c) Fair value estimation

The amendment to HKFRS 7 requires disclosure of fair value measurements for financial instruments 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).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2010 and 2009.

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
At 31 December 2010				
Available-for-sale financial assets				
- Debt securities	1,228,390	-	-	1,228,390
Total financial assets	1,228,390	-	-	1,228,390
At 31 December 2009				
Available-for-sale financial assets				
- Equity securities	3,295	-	-	3,295
- Debt securities	1,210,763	-	-	1,210,763
Total financial 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.

NOTES TO THE ACCOUNTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 judgements 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 judgements on historical experience and various other assumptions that it believes are reasonable under the circumstances. Actual results may differ from these estimates and judgements 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 Mainland China, 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 judgement 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 the tax in the Mainland China, during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues taking into account the existing tax legislations and market 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.

(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) 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.

NOTES TO THE ACCOUNTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(d) 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 judgement 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 38.

Revenue represents rental and service income. The amount of revenue recognised for continuing operations during the year is as follows:

	2010 HK\$'000	2009 HK\$'000
Rental and service income from investment properties	82,185	84,308

The Group has two reportable segments, including property division and other corporate division. Subsequent to the disposals of the Group's technology business and licensing and sourcing business, the Group discontinued the technology division and licensing and sourcing division. 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 2010							
	Property division HK\$'000	Other corporate division HK\$'000	Total continuing operations HK\$'000	Discontinued		Total discontinued operations HK\$'000	Elimination HK\$'000	Group HK\$'000
				operation	operation			
				(Technology division)	(Licensing and sourcing division)			
Segment revenue								
Company and subsidiaries	82,472	-	82,472	15,229	39,176	54,405	(287)	136,590
Inter-segment sales	(287)	-	(287)	-	-	-	287	-
Revenue from external customers	82,185	-	82,185	15,229	39,176	54,405	-	136,590
Segment results before changes in fair value of investment properties and profits on disposal of investments and others - Company and subsidiaries	71,473	22,638	94,111	(17,999)	9,130	(8,869)		85,242
Changes in fair value of investment properties	14,630	-	14,630	-	-	-		14,630
Profits on disposal of investments and others	-	53,009	53,009	16,780	12,469	29,249		82,258
Earnings/(losses) before interest expense and tax	86,103	75,647	161,750	(1,219)	21,599	20,380		182,130
Finance costs	(1,767)	-	(1,767)	-	(380)	(380)		(2,147)
Tax charge	(21,843)	2,720	(19,123)	-	(446)	(446)		(19,569)
Profit for the year			140,860			19,554		160,414
Segment assets	1,522,099	5,268,807	6,790,906	-	-	-		6,790,906
Total assets			6,790,906			-		6,790,906
Segment liabilities	229,809	15,560	245,369	-	-	-		245,369
Loans from non-controlling shareholders	40,115	-	40,115	-	-	-		40,115
Tax payables	39,994	-	39,994	-	-	-		39,994
Deferred tax liabilities	137,195	-	137,195	-	-	-		137,195
Total liabilities			462,673			-		462,673
Interest income	9,334	65,856	75,190	10	47	57		75,247
Capital expenditure	-	-	-	(25)	-	(25)		(25)
Depreciation of property, plant and equipment	(976)	-	(976)	(66)	-	(66)		(1,042)
Amortisation of leasehold land and land use rights	(108)	-	(108)	-	-	-		(108)

NOTES TO THE ACCOUNTS

5 REVENUE AND SEGMENT INFORMATION (Continued)

Segment information: (Continued)

	Year ended 31 December 2009							
	Property division HK\$'000	Other corporate division HK\$'000	Total continuing operations HK\$'000	Discontinued operation (Technology division) HK\$'000	Discontinued operation (Licensing and sourcing division) HK\$'000	Total discontinued operations HK\$'000	Elimination HK\$'000	Group HK\$'000
Segment revenue								
Company and subsidiaries	84,810	-	84,810	159,713	28,016	187,729	(520)	272,019
Inter-segment sales	(502)	-	(502)	(18)	-	(18)	520	-
Revenue from external customers	84,308	-	84,308	159,695	28,016	187,711	-	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	1,024	72,266	(52,449)	4,210	(48,239)		24,027
Changes in fair value of investment properties	800	-	800	-	-	-		800
Profits on disposal of investments and others	-	179,068	179,068	-	17,677	17,677		196,745
Earnings/(losses) before interest expense and tax	72,042	180,092	252,134	(52,449)	21,887	(30,562)		221,572
Finance costs	(1,192)	-	(1,192)	-	(1,513)	(1,513)		(2,705)
Tax charge	(19,676)	(2,302)	(21,978)	-	(875)	(875)		(22,853)
Profit/(loss) for the year			228,964			(32,950)		196,014
Segment assets	1,433,724	5,363,824	6,797,548	90,022	83,814	173,836		6,971,384
Total assets			6,797,548			173,836		6,971,384
Segment liabilities	253,527	97,933	351,460	55,384	29,767	85,151		436,611
Loans from non-controlling shareholders	40,025	-	40,025	-	-	-		40,025
Tax payables	38,112	486	38,598	-	421	421		39,019
Deferred tax liabilities	122,674	4,204	126,878	3,838	5	3,843		130,721
Total liabilities			556,961			89,415		646,376
Interest income	9,062	48,065	57,127	371	510	881		58,008
Capital expenditure	(19)	(510)	(529)	(1,646)	(37)	(1,683)		(2,212)
Depreciation of property, plant and equipment	(1,014)	(2,879)	(3,893)	(174)	(71)	(245)		(4,138)
Amortisation of leasehold land and land use rights	(111)	-	(111)	-	-	-		(111)

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 location of provision of services.

During the year ended 31 December 2010 and 2009, all the revenue from continuing operations are derived from Mainland China.

Segment revenue from discontinued operations is based on the geographical destination of delivery of good:

	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
<u>Discontinued operations</u>							
2010 Revenue	9,466	13,128	6,557	5,727	1,063	18,464	54,405
2009 Revenue	15,858	30,282	18,088	23,710	31,968	67,805	187,711

Non-current assets (excluding available-for-sales financial assets) are located in Mainland China (2009: HK\$913,556,000 are located in Mainland China and HK\$4,448,000 are located in Hong Kong).

Information about major customers:

Revenues from continuing operations of approximately HK\$28.3 million (2009: HK\$25.6 million) are derived from four (2009: three) external customers of Property division with individual balance greater than HK\$5 million.

Revenues from discontinued operations of approximately HK\$5.6 million in 2010 are derived from a single external customer of Licensing and Sourcing division. These revenues are attributable to United States.

Revenues from discontinued operations of approximately HK\$31.6 million in 2009 are derived from a single external customer of Technology division. These revenues are attributable to Singapore.

NOTES TO THE ACCOUNTS

6 OPERATING PROFIT

	2010 HK\$'000	2009 HK\$'000
Operating profit is stated after crediting and charging the following:		
<u>Crediting</u>		
Rental from investment properties less outgoings of HK\$10,743,000 (2009: HK\$10,630,000)	68,797	71,050
Gain on disposal/liquidation of subsidiaries (<i>Note b</i>)	5,155	75,770
Write-back of provisions and accruals (<i>Note c</i>)	20,303	94,634
Gain on disposal of available-for-sale financial assets	3,265	8,664
Increase in fair value of investment properties (<i>Note 17</i>)	14,630	800
Gain on disposal of property, plant and equipment	153	622
Net exchange gains	24,286	-
<u>Charging</u>		
Staff costs (<i>Note 13</i>)	28,911	34,112
Depreciation of property, plant and equipment (<i>Note 16</i>)	976	3,893
Amortisation of leasehold land and land use rights (<i>Note 18</i>)	108	111
Operating lease charges in respect of properties	1,749	1,815
Auditor's remuneration		
Audit and audit related work		
PricewaterhouseCoopers	2,357	2,257
Other auditors	36	39
Provision for bad debts	-	359

Notes:

- (a) *Other income, net for the year ended 31 December 2010 and 31 December 2009 include gain on disposal/liquidation of subsidiaries, gain on disposal of available-for-sale financial assets, increase in fair value of investment properties, write back of provisions and accruals and exchange gain.*
- (b) *The Group disposed of certain subsidiaries and recognised a gain of HK\$5,155,000 for the year ended 31 December 2010. The Group disposed of certain subsidiaries which owned interests in certain land and buildings; and liquidated certain subsidiaries, and recognised a gain of HK\$75,770,000 for the year ended 31 December 2009.*
- (c) *The write back of provisions and accruals was related to a number of exposures which were associated with the disposals of subsidiaries in 2008. As at 31 December 2010 and 31 December 2009, the crystallisation of these exposures was reassessed as not probable.*

NOTES TO THE ACCOUNTS

7 FINANCE COSTS

	2010 HK\$'000	2009 HK\$'000
Interest on loans from non-controlling shareholders (repayable on demand)	1,767	-
Interest on loans from non-controlling shareholders (not wholly repayable within five years)	-	1,192
	1,767	1,192

8 TAX CHARGE

	2010 HK\$'000	2009 HK\$'000
Current tax, outside Hong Kong	10,477	10,937
Deferred tax charge	8,646	11,041
	19,123	21,978

The Group's subsidiaries in the Mainland China are subject to Enterprise Income Tax of Mainland China at a standard rate of 25% for 2010 (2009: 25%).

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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:

	2010 HK\$'000	2009 HK\$'000
Profit before tax	159,983	250,942
Tax calculated at the domestic rates applicable to the profits in the countries concerned	17,953	29,579
Income not subject to tax	(4,372)	(3,245)
Expenses not deductible for tax purposes	356	559
Tax losses not recognised	6,589	-
Deferred tax assets (written back)/written off	(2,072)	394
Other temporary differences	669	(5,309)
Total tax charge	19,123	21,978

The weighted average applicable tax rate was 11.2% (2009: 11.8%). The decrease is mainly caused by the increase in non-assessable interest income for the year ended 31 December 2010.

NOTES TO THE ACCOUNTS

9 PROFIT/(LOSS) FOR THE YEAR FROM DISCONTINUED OPERATIONS

The Group has discontinued the technology and licensing and sourcing divisions which operated the Group's manufacturing and trading of mobile phone accessories and other high-end electronic products, as well as licensing and sourcing of consumer product businesses upon disposals of the equity interests in certain subsidiaries during the year ended 31 December 2010. Accordingly, the technology and licensing and sourcing divisions were accounted for as discontinued operations for the year ended 31 December 2010 in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations".

- (a) Results of the technology and licensing and sourcing divisions have been included in the consolidated income statement as follows:

	2010 HK\$'000	2009 HK\$'000
Revenue	54,405	187,729
Cost of sales	(51,307)	(186,322)
Gross profit	3,098	1,407
Interest income	57	881
Other income, net (<i>Note</i>)	29,249	17,677
Administrative expenses	(6,307)	(35,735)
Selling and distribution costs	(5,717)	(14,792)
Operating profit/(loss)	20,380	(30,562)
Finance costs	(380)	(1,513)
Profit/(loss) before tax	20,000	(32,075)
Tax charge	(446)	(875)
Profit/(loss) for the year from discontinued operations	19,554	(32,950)
Attributed to shareholders of the Company	18,783	(33,971)
Attributable to non-controlling interests	771	1,021
	19,554	(32,950)

Note:

Other income, net for the year ended 31 December 2010 and 31 December 2009 include gain on disposal of subsidiaries HK\$19,172,000 (2009: Nil) and gain on reduction of licence fees payable on branded products HK\$10,077,000 (2009: HK\$17,677,000).

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

	2010 HK\$'000	2009 HK\$'000
Net cash (used in)/from operating activities	(346)	60,956
Net cash used in investing activities	(33,085)	(1,683)
(Decrease)/increase in cash and cash equivalents	(33,431)	59,273

NOTES TO THE ACCOUNTS

10 PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The loss attributable to shareholders of the Company is dealt with in the accounts of the Company to the extent of HK\$640,068,000 (2009: profit of HK\$341,237,000).

11 EARNINGS PER SHARE

(a) Basic earnings/(losses) per share

Basic earnings/(losses) 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.

	2010	2009
Weighted average number of ordinary shares in issue	8,962,283,754	8,950,722,055
Profit from continuing operations attributable to shareholders of the Company (HK\$'000)	133,369	222,093
Basic earnings per share from continuing operations attributable to shareholders of the Company (HK cent per share)	1.49	2.48
Profit/(loss) from discontinued operations attributable to shareholders of the Company (HK\$'000)	18,783	(33,971)
Basic earnings/(losses) per share from discontinued operations attributable to shareholders of the Company (HK cent per share)	0.21	(0.38)

The profit from continuing operations attributable to shareholders of the Company of HK\$133,369,000 for the year ended 31 December 2010 (2009: HK\$222,093,000) was derived from the profit attributable to the shareholders of the Company of HK\$152,152,000 (2009: HK\$188,122,000) as adjusted by the profit from discontinued operations of HK\$18,783,000 (2009: loss of HK\$33,971,000) attributable to the shareholders of the Company (Note 9).

(b) Diluted earnings/(losses) per share

Diluted earnings/(losses) per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of the share options that have been granted under the Company's share option scheme to reflect the dilutive potential ordinary shares of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determined as the average market share price of the Company's shares over the period) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

NOTES TO THE ACCOUNTS

11 EARNINGS PER SHARE (Continued)

(b) Diluted earnings/(losses) per share (Continued)

	2010	2009
Weighted average number of ordinary shares in issue	8,962,283,754	8,950,722,055
Adjustment for share options (<i>Note</i>)	775,610	-
	8,963,059,364	8,950,722,055
Profit from continuing operations attributable to shareholders of the Company (HK\$'000)	133,369	222,093
Diluted earnings per share from continuing operations attributable to shareholders of the Company (HK cent per share)	1.49	2.48
Profit/(loss) from discontinued operations attributable to shareholders of the Company (HK\$'000)	18,783	(33,971)
Diluted earnings/(losses) per share from discontinued operations attributable to shareholders of the Company (HK cent per share)	0.21	(0.38)

Note:

The outstanding employee share options at 31 December 2009 had no dilutive effect on the basic earnings per share.

12 DIVIDEND

	2010	2009
	HK\$'000	HK\$'000
Final dividend proposed - HK2.2 cents (2009: HK2.2 cents) per ordinary share	197,270	197,157

At a meeting held on 21 March 2011 the Directors declared a final dividend of HK2.2 cents per ordinary share. The amount of proposed final dividend for 2010 is based on 8,966,804,707 shares issued at 21 March 2011. 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 2011.

The amount of proposed final dividend for 2009 was based on 8,961,688,707 shares in issue at 5 March 2010 and the amount paid of HK\$197,162,000 was based on 8,961,888,707 shares in issue and recorded on the Registers of Members of the Company on 10 May 2010.

NOTES TO THE ACCOUNTS

13 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

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

	2010 HK\$'000	2009 HK\$'000
Wages and salaries	22,158	27,838
Other allowances and benefits	6,419	5,689
Pension costs	556	877
Employee share option benefits (Note 29)	(222)	(292)
Total staff costs (including directors' emoluments)	28,911	34,112

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 Mainland China are members of a state-managed retirement benefit plan operated by the government of the Mainland China. 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	Discretionary bonuses HK\$'000	Provident fund contributions	Employee share option benefits	2010 Total emoluments HK\$'000
		benefits-in-kind HK\$'000		HK\$'000	HK\$'000	
Fok Kin-ning, Canning ⁽¹⁾	90	-	-	-	-	90
Lai Kai Ming, Dominic	70	-	-	-	-	70
Tsui Kin Tung, Tony ⁽²⁾	12	325	-	55	-	392
Chan Wen Mee, May (Michelle) ⁽³⁾	58	1,623	2,000	121	-	3,802
Chow Woo Mo Fong, Susan	70	-	-	-	-	70
Chow Wai Kam, Raymond	70	-	-	-	-	70
Edith Shih	70	-	-	-	-	70
Endo Shigeru	70	-	-	-	-	70
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 - 2010	1,040	1,948	2,000	176	-	5,164

Notes:

- (1) Members of the Remuneration Committee
- (2) Appointed with effect from 1 November 2010
- (3) Resigned with effect from 1 November 2010
- (4) Members of the Audit Committee
- (5) Independent Non-executive Directors

NOTES TO THE ACCOUNTS

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	2009 Total emoluments HK\$'000
Fok Kin-ning, Canning ⁽¹⁾	90	-	-	-	-	90
Lai Kai Ming, Dominic	70	-	-	-	-	70
Chan Wen Mee, May (Michelle) ⁽²⁾	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 ⁽³⁾	4	194	-	7	-	205
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 - 2009	1,044	2,142	2,000	152	-	5,338

Notes:

- (1) Members of the Remuneration Committee
(2) Resigned with effect from 1 November 2010
(3) Resigned with effect from 24 January 2009
(4) Members of the Audit Committee
(5) Independent Non-executive Directors

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include one (2009: one) director whose emoluments are reflected in the analysis presented in Note 15(a) to the accounts. The emoluments payable to the four (2009: four) remaining individuals for the year are as follows:

	2010 HK\$'000	2009 HK\$'000
Basic salaries, allowances and benefits-in-kind	5,676	6,475
Discretionary bonuses	2,433	1,368
Provident fund contributions	173	289
	8,282	8,132

NOTES TO THE ACCOUNTS

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

(b) Five highest paid individuals (Continued)

The emoluments of the remaining four (2009: four) individuals with the highest emoluments for the year fell within the following bands:

Emolument bands	Number of individuals	
	2010	2009
HK\$2,500,001 - HK\$3,000,000	1	1
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	1	2
HK\$1,000,001 - HK\$1,500,000	1	-

16 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 2010	10,858	10,893	120,943	21,991	1,685	166,370
Exchange translation differences	255	19	-	45	44	363
Additions - discontinued operations	-	-	-	25	-	25
Disposals and write off	-	(47)	-	(41)	(850)	(938)
Relating to subsidiaries disposed of (Note 31(c))	(1,166)	(10,133)	(120,943)	(20,290)	-	(152,532)
At 31 December 2010	9,947	732	-	1,730	879	13,288
Accumulated depreciation and impairment						
At 1 January 2010	2,362	10,264	120,810	20,555	1,473	155,464
Exchange translation differences	61	16	-	30	45	152
Charge for the year - continuing operations (Note 6)	458	134	-	229	155	976
Charge for the year - discontinued operations	-	23	3	40	-	66
Disposals and write off	-	(47)	-	(41)	(850)	(938)
Relating to subsidiaries disposed of (Note 31(c))	(335)	(9,715)	(120,813)	(19,405)	-	(150,268)
At 31 December 2010	2,546	675	-	1,408	823	5,452
Net book value						
At 31 December 2010	7,401	57	-	322	56	7,836

NOTES TO THE ACCOUNTS

16 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 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 - continuing operations	-	403	-	126	-	529
Additions - discontinued operations	-	492	141	1,050	-	1,683
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 31(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 - continuing operations (Note 6)	469	1,413	-	1,819	192	3,893
Charge for the year - discontinued operations	-	48	8	189	-	245
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 31(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

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

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

	2010 HK\$'000	2009 HK\$'000
Leases of between 10 to 50 years		
Hong Kong	-	285
Outside Hong Kong	7,401	8,211
	7,401	8,496

17 INVESTMENT PROPERTIES

	2010 HK\$'000	2009 HK\$'000
Valuation		
At 1 January	903,372	892,079
Exchange translation differences	23,679	7,893
Relating to subsidiaries disposed of (Note 31(c))	(4,160)	-
Transfer from property, plant and equipment and leasehold land and land use rights	-	2,600
Increase in fair value (Note 6)	14,630	800
At 31 December	937,521	903,372

Notes:

(a) The Group's investment properties comprise:

	2010 HK\$'000	2009 HK\$'000
Leases of between 10 to 50 years		
Hong Kong	-	3,570
Outside Hong Kong	937,521	899,802
	937,521	903,372

(b) The investment properties at 31 December 2010 and 31 December 2009 were revalued on an open market value basis by independent professional valuers, DTZ Debenham Tie Leung Limited.

NOTES TO THE ACCOUNTS

18 LEASEHOLD LAND AND LAND USE RIGHTS

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

	2010 HK\$'000	2009 HK\$'000
Net book value		
At 1 January	3,726	14,247
Exchange translation differences	89	103
Revaluation surplus	-	875
Transfer to investment properties	-	(2,570)
Relating to subsidiaries disposed of (Note 31(c))	(267)	(8,818)
Amortisation	(108)	(111)
At 31 December	3,440	3,726

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

	2010 HK\$'000	2009 HK\$'000
Leases of between 10 to 50 years		
Hong Kong	-	37
Outside Hong Kong	3,440	3,689
	3,440	3,726

19 INVESTMENTS IN SUBSIDIARIES

	Company	
	2010 HK\$'000	2009 HK\$'000
Unlisted investments, at cost	659,085	659,099

Particulars of the principal subsidiaries at 31 December 2010 are set out in Note 38 to the accounts.

NOTES TO THE ACCOUNTS

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010 HK\$'000	2009 HK\$'000
Overseas listed debt securities, at fair value	1,228,390	1,210,763
Overseas listed equity securities, at fair value	-	3,295
Total	1,228,390	1,214,058
Less: current portion	-	(3,295)
Non-current portion	1,228,390	1,210,763

21 INVENTORIES

	2010 HK\$'000	2009 HK\$'000
Raw materials	-	6,373
Work in progress	-	4,399
Finished goods	-	10,193
	-	20,965

22 TRADE RECEIVABLES

At 31 December 2010, trade receivables represented rental receivables which no credit term is granted. At 31 December 2009, 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:

	2010 HK\$'000	2009 HK\$'000
0-30 days	1,650	11,076
31-60 days	138	4,863
61-90 days	17	249
Over 90 days	-	669
	1,805	16,857

NOTES TO THE ACCOUNTS

22 TRADE RECEIVABLES (Continued)

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 2010, no (2009: HK\$28,701,000) trade receivables were impaired and provided for.

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

	2010 HK\$'000	2009 HK\$'000
At 1 January	28,701	28,630
Exchange translation differences	-	22
Provision recognised in the income statement		
- Continuing operations	-	359
- Discontinued operations	5	-
Provision released		
- Continuing operations	-	(49)
Provision released through disposal of subsidiaries	(27,671)	-
Receivables written off during the year as uncollectible	(1,035)	(261)
At 31 December	-	28,701

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.

23 CASH AND BANK DEPOSITS

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Bank deposits with maturity less than three months	4,247,148	4,334,403	3,998,340	4,037,181
Bank deposits with maturity over three months	213,774	204,178	-	-
Cash at banks and on hand	114,310	195,715	8,299	16,431
	4,575,232	4,734,296	4,006,639	4,053,612

Bank balances of HK\$566,473,000 (2009: HK\$537,994,000) 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 Chinese 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 2010 was approximately 0.37% (2009: 0.48%) per annum. These deposits have an average maturity of 29 days (2009: 50 days).

NOTES TO THE ACCOUNTS

24 TRADE PAYABLES

The aging analysis of trade payables at 31 December is as follows:

	2010 HK\$'000	2009 HK\$'000
0-30 days	-	5,907
31-60 days	-	1,738
Over 90 days	-	28,683
	-	36,328

25 DEPOSITS RECEIVED, OTHER PAYABLES AND ACCRUALS

Included in deposits received, other payables and accruals at 31 December 2010 are provisions and accruals of approximately HK\$124 million (2009: HK\$160 million) in respect of legal and constructive obligations in connection with disposals of subsidiaries in 2008. During the year ended 31 December 2010, provisions of HK\$16 million were written back (2009: 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 was HK\$30,924,000 (2009: HK\$13,527,000).

26 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.

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

	2010 HK\$'000	2009 HK\$'000
At 1 January	130,721	122,965
Exchange translation differences	3,252	1,022
Relating to subsidiaries disposed of (Note 31(c))	(5,422)	(4,315)
Charged to the income statement - continuing operations	8,646	11,041
Charged to the income statement - discontinued operations	(2)	8
At 31 December	137,195	130,721

NOTES TO THE ACCOUNTS

26 DEFERRED TAX (Continued)

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

	2010				
	At 1 January HK\$'000	Exchange translation differences HK\$'000	Relating to subsidiaries disposed of HK\$'000 (Note 31(c))	Charged to income statement HK\$'000	At 31 December HK\$'000
Accelerated tax depreciation	71,720	2,832	(3)	7,150	81,699
Changes in fair value of investment properties	47,287	420	(249)	3,607	51,065
Other temporary differences	11,714	-	(5,170)	(2,113)	4,431
	130,721	3,252	(5,422)	8,644	137,195

	2009				
	At 1 January HK\$'000	Exchange translation differences HK\$'000	Relating to subsidiaries disposed of HK\$'000 (Note 31(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

(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\$21,047,000 (2009: HK\$55,511,000) in respect of the unused tax losses carried forward amounting to HK\$127,557,000 (2009: HK\$347,491,000). Of these amounts, HK\$127,557,000 (2009: HK\$309,835,000) can be carried forward indefinitely and none of the remaining (2009: HK\$37,656,000) expires in the following years:

	2010 HK\$'000	2009 HK\$'000
2011	-	4,419
2013	-	4,156
2014	-	29,081
	-	37,656

NOTES TO THE ACCOUNTS

27 OTHER FINANCIAL LIABILITIES

	Note	2010 HK\$'000	2009 HK\$'000
Loans from non-controlling shareholders	(a)	40,115	40,025
Non-current portion of licence fees payable	(b)	-	11,935
Total		40,115	51,960
Less: current portion		(40,115)	-
Non-current portion		-	51,960

Notes:

(a) Loans from non-controlling shareholders

At 31 December 2010, the interest bearing loans from non-controlling shareholders were advanced by a non-controlling shareholder of the Group's two property development equity joint ventures in the Mainland China. The loans from the non-controlling shareholders are interest bearing at 4.412% (2009: 3%) per annum, unsecured and repayable on demand.

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

	2010 HK\$'000	2009 HK\$'000
US dollar	36,605	36,605
Renminbi	3,510	3,420
	40,115	40,025

(b) Non-current portion of licence fees payable

The balance as at 31 December 2009 represented non-current portion of licence fees payable. The carrying value of the licence fees payable as at 31 December 2009 approximates to its fair value and is denominated in US dollars.

28 SHARE CAPITAL

	2010		2009	
	Number of shares	Amount HK\$'000	Number of shares	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	8,952,072,707	895,207	8,950,652,707	895,065
Issue of shares upon exercise of share options (Note 29)	14,732,000	1,473	1,420,000	142
At 31 December	8,966,804,707	896,680	8,952,072,707	895,207

NOTES TO THE ACCOUNTS

29 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 2010, 14,732,000 (2009: 1,420,000) share options were exercised and 15,900,000 (2009: 22,936,000) share options had lapsed. The number of share options outstanding at 31 December 2010 was 7,136,000 (2009: 37,768,000) of which 5,600,000 will expire on 2 June 2015 and the remaining 1,536,000 will expire on 24 May 2017 unless exercised before then. Out of the 7,136,000 (2009: 37,768,000) outstanding share options, 7,136,000 (2009: 32,906,000) were exercisable.

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 (<i>Note a</i>)	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.*

NOTES TO THE ACCOUNTS

29 SHARE OPTIONS (Continued)

Movements in share options were as follows:

Date of grant	Number of share options				At 31 December 2010	
	At 1 January 2010	Granted	Exercised	Cancelled/ lapsed		
Directors						
Chan Wen Mee, May (Michelle) ⁽¹⁾	3 June 2005	12,000,000	-	-	(12,000,000)	-
Endo Shigeru	3 June 2005	5,000,000	-	-	-	5,000,000
		17,000,000	-	-	(12,000,000)	5,000,000
Employees						
	3 June 2005	7,900,000	-	(5,500,000)	(1,800,000)	600,000
	25 May 2007	12,868,000	-	(9,232,000)	(2,100,000)	1,536,000
		20,768,000	-	(14,732,000)	(3,900,000)	2,136,000
Total		37,768,000	-	(14,732,000)	(15,900,000)	7,136,000

Note:

(1) Ms Chan Wen Mee, May (Michelle) resigned as Managing Director and Executive Director with effect from 1 November 2010.

30 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 2010	2,600,617	3,558	7,832	1,456	3,273,885	5,887,348
Employee share option benefits	-	-	(222)	-	-	(222)
Transfer between reserves	-	-	(3,447)	-	3,447	-
Loss for the year	-	-	-	-	(640,068)	(640,068)
Issue of shares (Note 28)	11,107	-	(2,370)	-	-	8,737
2009 final dividend paid	-	-	-	-	(197,162)	(197,162)
At 31 December 2010	2,611,724	3,558	1,793	1,456	2,440,102	5,058,633
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 28)	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

NOTES TO THE ACCOUNTS

30 RESERVES (Continued)

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.

31 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:

	2010 HK\$'000	2009 HK\$'000
Operating profit from continuing operations	161,750	252,134
Adjustments for:		
Interest income	(75,190)	(57,127)
Write-back of provisions and accruals	(20,303)	(94,634)
Depreciation of property, plant and equipment	976	3,893
Amortisation of leasehold land and land use rights	108	111
Gain on disposal/liquidation of subsidiaries	(5,155)	(75,770)
Gain on disposal of available-for-sale financial assets	(3,265)	(8,664)
Gain on disposal of property, plant and equipment	(153)	(622)
Increase in fair value of investment properties	(14,630)	(800)
Employee share option benefits	(222)	(293)
	43,916	18,228

NOTES TO THE ACCOUNTS

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

(b) Changes in working capital:

	2010 HK\$'000	2009 HK\$'000
Decrease in trade and other receivables, deposits and prepayments	10,348	150,233
Decrease in inventories	-	16,793
Decrease in trade and other payables	(39,635)	(140,892)
Exchange difference	11,950	12,113
	(17,337)	38,247

(c) Disposal/liquidation of subsidiaries:

	2010 HK\$'000	2009 HK\$'000
Net assets relating to subsidiaries disposed/liquidated of:		
Property, plant and equipment (Note 16)	2,264	39,598
Leasehold land and land use rights (Note 18)	267	8,818
Investment properties (Note 17)	4,160	-
Inventories	2	-
Trade and other receivables	11,704	86
Cash and cash equivalents	72,429	17,583
Trade and other payables	(80,886)	(53,204)
Tax payables	(1,344)	(1,310)
Deferred tax liabilities (Note 26)	(5,422)	(4,315)
Non-controlling interests	(7,194)	(42,111)
	(4,020)	(34,855)
Exchange reserve realised	(17,157)	(26,778)
Gain on disposal/liquidation from continuing operations (Note 6(b))	5,155	75,770
Gain on disposal from discontinued operations (Note 9(a))	19,172	-
	3,150	14,137
Satisfied by:		
Cash received	3,150	14,137

NOTES TO THE ACCOUNTS

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

(c) Disposal/liquidation of subsidiaries: (Continued)

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

	2010 HK\$'000	2009 HK\$'000
Cash consideration received	3,150	14,137
Cash and cash equivalents disposed of	(72,429)	(17,583)
Net cash outflow in respect of disposal/liquidation of subsidiaries	(69,279)	(3,446)
Less: Net cash outflow in respect of disposal/liquidation of subsidiaries from continuing operations	36,219	3,446
Net cash outflow in respect of disposal of subsidiaries from discontinued operations	(33,060)	-

32 FINANCIAL GUARANTEES

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

	Group		Company	
	2010 HK\$'000	2009 HK\$'000	2010 HK\$'000	2009 HK\$'000
Guarantees given to banks in connection with facilities granted to subsidiaries	-	-	-	23,400

33 CAPITAL COMMITMENTS

	2010 HK\$'000	2009 HK\$'000
Capital commitments for property, plant and equipment:		
Contracted but not provided for	-	289
Authorised but not contracted for	-	800
	-	1,089

NOTES TO THE ACCOUNTS

34 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:

	2010 HK\$'000	2009 HK\$'000
Not later than one year	67,319	69,323
Later than one year and not later than five years	58,712	44,588
	126,031	113,911

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

	2010 HK\$'000	2009 HK\$'000
Not later than one year	2,778	10,614
Later than one year and not later than five years	-	34,928
Later than five years	-	25,164
	2,778	70,706

35 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 in 2009 from the market (Note 20). Net interest income recognised during the year was approximately HK\$58,191,000 (2009: HK\$32,774,000).
- (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\$662,000 (2009: HK\$335,000).
- (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 (2009: HK\$5,600,000).
- (d) During the year, the Group paid rental expenses and management fee to subsidiaries of Hutchison Whampoa Limited of approximately HK\$5,575,000 (2009: HK\$5,600,000).
- (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 are unsecured, interest free and repayable on demand (Note 25).
- (g) Details of directors' remuneration (being the key management personnel compensation) are shown in Note 15 to the accounts.

NOTES TO THE ACCOUNTS

36 HOLDING COMPANY

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

37 APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 21 March 2011.

38 PARTICULARS OF THE PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2010 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
P & H Development Limited	Hong Kong	HK\$7 ordinary shares HK\$3 non-voting deferred shares	100	Investment holding
Mitsuda Corporation Limited	Hong Kong	HK\$10,000	100	Provision of management services
# Shanghai Gang Lu Real Estate Development Co., Ltd.	China	US\$16,000,000 registered capital	88	Property holding
# Shanghai Pu Gang Real Estate Development Co., Ltd.	China	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

	2010 HK\$'000	2009 HK\$'000	2008 HK\$'000	2007 HK\$'000	2006 HK\$'000
Results					
Revenue					
- Continuing operations	82,185	84,308	202,069	326,761	279,199
- Discontinued operations	54,405	187,711	1,512,364	2,382,978	2,308,609
	136,590	272,019	1,714,433	2,709,739	2,587,808
Continuing operations					
Operating profit	161,750	252,134	2,396,082	362,126	303,614
Finance costs	(1,767)	(1,192)	(1,204)	(36,803)	(54,055)
Profit before tax	159,983	250,942	2,394,878	325,323	249,559
Tax (charge)/credit	(19,123)	(21,978)	(68,624)	36,915	(106,078)
Profit for the year from continuing operations	140,860	228,964	2,326,254	362,238	143,481
Discontinued operations					
Profit/(loss) for the year from discontinued operations	19,554	(32,950)	(291,144)	(40,023)	(91,871)
Profit for the year	160,414	196,014	2,035,110	322,215	51,610
Attributable to					
Non-controlling interests	8,262	7,892	25,692	10,510	1,498
Shareholders of the Company	152,152	188,122	2,009,418	311,705	50,112
	160,414	196,014	2,035,110	322,215	51,610
Assets and liabilities					
Total assets	6,790,906	6,971,384	7,252,337	6,222,268	5,880,954
Total liabilities	(462,673)	(646,376)	(915,834)	(1,563,004)	(2,582,829)
Net assets	6,328,233	6,325,008	6,336,503	4,659,264	3,298,125

PARTICULARS OF MAJOR PROPERTIES

Particulars of major properties held by the Group which have been completed for existing use at 31 December 2010 are as follows:

A. INVESTMENT PROPERTIES

Name/Location	Lease expiry	Type	Gross floor area (sq.m)	Attributable interest
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, China	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, China	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, China	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, China	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
Units 1001, 1002, 1003 and 1003A on level 10 in Harbour Ring Plaza, No. 18 Xizang Zhong Road, Huangpu District, Shanghai, China	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

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 2010: approximately HK\$2,690 million, representing 28.57% of the issued share capital of the Company										
FINANCIAL CALENDAR	<table><tr><td>2010 Final Results Announcement</td><td>21 March 2011</td></tr><tr><td>Closure of Registers of Members</td><td>13 May 2011-19 May 2011</td></tr><tr><td>Annual General Meeting</td><td>19 May 2011</td></tr><tr><td>Payment of 2011 Final Dividend</td><td>20 May 2011</td></tr><tr><td>2011 Interim Results Announcement</td><td>August 2011</td></tr></table>	2010 Final Results Announcement	21 March 2011	Closure of Registers of Members	13 May 2011-19 May 2011	Annual General Meeting	19 May 2011	Payment of 2011 Final Dividend	20 May 2011	2011 Interim Results Announcement	August 2011
2010 Final Results Announcement	21 March 2011										
Closure of Registers of Members	13 May 2011-19 May 2011										
Annual General Meeting	19 May 2011										
Payment of 2011 Final Dividend	20 May 2011										
2011 Interim Results Announcement	August 2011										
REGISTERED OFFICE	Clarendon House, 2 Church Street, Hamilton HM11, Bermuda Telephone : +441 295 5950 Facsimile : +441 292 4720										
HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS	22nd Floor, Hutchison House, 10 Harcourt Road, Hong Kong Telephone : +852 2128 1188 Facsimile : +852 2128 1778										
PRINCIPAL EXECUTIVE OFFICE IN HONG KONG	Unit 501, 5/F, Harbourfront Landmark, 11 Wan Hoi Street Hung Hom, Kowloon, Hong Kong Telephone : +852 2861 1638 Facsimile : +852 2422 1639										
BERMUDA PRINCIPAL SHARE REGISTRARS	Butterfield Fulcrum Group (Bermuda) Limited Rosebank Centre, 11 Bermudiana Road Pembroke HM08, Bermuda Telephone : +441 299 3882 Facsimile : +441 295 6759										
HONG KONG BRANCH SHARE REGISTRARS	Computershare Hong Kong Investor Services Limited Rooms 1712-1716, 17th Floor Hopewell Centre, 183 Queen's Road East Wan Chai, Hong Kong Telephone : +852 2862 8555 Facsimile : +852 2865 0990										
INVESTOR INFORMATION	Corporate press releases, financial reports and other investor information on the Group are available online at the Company's website										
INVESTOR RELATIONS CONTACT	Please direct enquiries to: Deputy Chairman Unit 501, 5/F, Harbourfront Landmark, 11 Wan Hoi Street Hung Hom, Kowloon, Hong Kong Telephone : +852 2861 1638 Facsimile : +852 2422 1639										
WEBSITE ADDRESS	www.hutchisonharbourring.com										