

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 194 to 197.

SHARE CAPITAL

During the financial year, a total of 275,386,120 ordinary shares of HK\$1.00 each of the Company were allotted and issued at HK\$36.5 each as a result of a 1-for-10 rights issue by the Company, with net proceeds of HK\$10.0 billion received by the Company.

By an ordinary resolution of the Company passed on 7 June 2011, the authorised share capital of the Company was increased from HK\$3,600,000,000 divided into 3,600,000,000 shares of HK\$1.00 each to HK\$10,000,000,000 shares of HK\$1.00 each by the creation of 6,400,000,000 new shares of HK\$1.00 each.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2011 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 126 to 127.

Appropriations of profits and movements in reserves during the financial year are set out in the Consolidated Statement of Change in Equity on page 131 and Note 26 to the Financial Statements on pages 171 to 172.

DIVIDENDS

A first interim dividend of 36 cents per share was paid on 30 September 2011. The Board has declared a second interim dividend of 70 cents per share, payable on Wednesday, 30 May 2012 to Shareholders on record as at 30 May 2012. This second interim dividend is to be paid in lieu of a final dividend in respect of the financial year ended 31 December 2011.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 9 to the Financial Statements on pages 145 to 147.

DONATIONS

The Group made donations during the financial year totalling HK\$15 million.

Report of the Directors

DIRECTORS

The Directors of the Company during the financial year were Mr P K C Woo, Mr S T H Ng, Mr A O K Chow (appointed effective 1 July 2011), Ms D Y F Lee, Mr T Y Ng, Mr P Y C Tsui, Hon P M P Chan, Professor E K Y Chen, Dr R K F Ch'ien, Hon V K Fang, Mr Hans Michael Jebsen and Mr James E Thompson.

Mr A O K Chow, who was appointed as Director of the Company after the last Annual General Meeting, is due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Mr P K C Woo, Mr S T H Ng, Ms D Y F Lee, Mr P Y C Tsui, Mr Hans Michael Jebsen and Mr James E Thompson are also due to retire from the Board at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company, its subsidiaries or its ultimate holding company or any subsidiary of that ultimate holding company was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during that financial year.

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company, its subsidiaries or its ultimate holding company or any subsidiary of such ultimate holding company a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception that there existed certain outstanding options to subscribe for ordinary shares of the Company granted under the Company's Share Option Scheme (the "Scheme") to certain executives/employees of companies in the Group, some of whom were Directors of the Company during the financial year.

Under the rules of the Scheme, shares of the Company would be issued at such prices as being equal to the highest of (a) the indicative price as specified in the written offer; (b) the closing price on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the options; (c) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and (d) the nominal value of a share; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant, as determined by the Board of Directors of the Company. During the financial year, no shares of the Company were allotted and issued to any Director of the Company under the Scheme.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board

Wilson W S Chan

Secretary

Hong Kong, 22 March 2012

SUPPLEMENTARY CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers etc.

(i) Directors

Peter Kwong Ching Woo, *GBS, JP, Chairman (Age: 65)*

Mr Woo has resumed the role of Chairman of the Company since 2002 after having also served in that capacity from 1986 to 1994. He also serves as a member and the chairman of the Company's Nomination Committee and as a member of the Company's Remuneration Committee. He is also the chairman and a substantial shareholder of the Company's ultimate holding company, namely, Wheelock and Company Limited ("Wheelock"), a publicly-listed company in Hong Kong, and chairman of a fellow subsidiary of the Company, namely, Wheelock Properties (Singapore) Limited ("WPSL"), which is publicly listed in Singapore. Furthermore, he is a director of Wheelock Properties Limited ("WPL") (formerly a publicly-listed company until it was privatised and became a wholly-owned subsidiary of Wheelock in July 2010) as well as a director of certain subsidiaries of the Company. Mr Woo has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments.

Mr Woo serves as a member of the Standing Committee of the Eleventh National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has been appointed a non-official member of the Commission on Strategic Development since June 2007. He had served as the chairman of Hospital Authority from 1995 to 2000, the council chairman of Hong Kong Polytechnic University from 1993 to 1997 and the Government-appointed chairman of the Hong Kong Trade Development Council from 2000 to 2007. He was the chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government. He also served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, and as a member of the International Advisory Council of JPMorgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric of America. He has received Honorary Doctorates from various universities in Australia, Hong Kong and the United States. Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2012, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiaries and calculated on annualised basis, would be approximately HK\$11.89 million per annum (2011: HK\$11.43 million).

Stephen Tin Hoi Ng, *Deputy Chairman & Managing Director (Age: 59)*

Mr Ng joined the Company in 1981. He has been the Managing Director of the Company since 1989 and became the Deputy Chairman in 1994. He is also the deputy chairman of Wheelock as well as the chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") and the chairman of Harbour Centre Development Limited ("HCDL"), both being publicly-listed subsidiaries of the Company. Furthermore, Mr Ng is the chairman of Modern Terminals Limited ("Modern Terminals") (a subsidiary of the Company), the chairman and chief executive officer of Wharf T&T Limited (a wholly-owned subsidiary of the Company), and a director of certain other subsidiaries of the Company. Mr Ng is also the chairman of publicly-listed Joyce Boutique Holdings Limited ("Joyce"). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK\$5.00 million per annum (2011: HK\$4.77 million).

Andrew On Kiu Chow, *Vice Chairman* (Age: 61)

Mr Chow has been appointed a Director and elected as Vice Chairman of the Company since July 2011. He is also the chairman of Wharf China Development Limited ("WCDL") (a wholly-owned subsidiary of the Company), and a director of certain other subsidiaries of the Company. Mr Chow joined the Group in 2006. He has extensive experience in the banking, finance, trading, investment as well as property sectors in Mainland China. He is responsible for overseeing all of the Group's property development and related businesses in Mainland China.

Mr Chow is also an independent non-executive director of Hong Kong Economic Times Holdings Limited, a company publicly-listed in Hong Kong. He formerly held senior executive positions in Tian An China Investment Limited and Next Media Limited before he joined the Group. Mr Chow is a graduate of The University of Hong Kong where he obtained his bachelor's degree in Social Science. Under the existing service contract between the Group and Mr Chow, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK\$5.07 million per annum (2011: HK\$5.07 million).

Doreen Yuk Fong Lee, *Executive Director* (Age: 55)

Ms Lee joined the Company in 1984. She has been a Director of the Company since 2003 and became an Executive Director in March 2007. She is also a director of HCDL. She is the senior managing director of Harbour City Estates Limited, Times Square Limited, vice chairman and senior managing director of Wharf China Estates Limited ("WCEL") and the managing director of Wharf Estates Limited, all being wholly-owned subsidiaries of the Company, as well as a director of certain other subsidiaries of the Company. Ms Lee is responsible for overseeing the investment properties of the Group in Hong Kong and the Mainland China, particularly, two core properties of the Group, namely, Harbour City and Times Square in Hong Kong, and also the Group's Times Square developments in Shanghai, Chongqing, Wuhan and Dalian respectively. Ms Lee is also a director of Joyce. She is a graduate of The University of Hong Kong where she obtained her bachelor's degree in Arts (Hon). Under the existing service contract between the Group and Ms Lee, her basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK\$4.09 million per annum (2011: HK\$3.90 million).

Tze Yuen Ng, *Executive Director* (Age: 64)

Mr Ng, *ACPA, ACMA*, joined the Company in 1985 and has been a Director of the Company since 1998. He was re-designated as an Executive Director in June 2009. He is also a director of HCDL, the vice chairman and senior managing director of WCDL and the vice chairman of WCEL, both being wholly-owned subsidiaries of the Company, and a director of certain other subsidiaries of the Company. Furthermore, Mr Ng was formerly a director of Joyce from 2000 to 2008 and WPL from 1999 to 2010. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK\$3.95 million per annum (2011: HK\$3.76 million).

Report of the Directors

Paul Yiu Cheung Tsui, *Executive Director and Group Chief Financial Officer (Age: 65)*

Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, is an Executive Director & Group Chief Financial Officer of both Wheelock and the Company. He joined Wheelock/Wharf group in 1996 and became Wheelock's director in 1998. He is also a director of HCDL and i-CABLE, the vice chairman and finance director of both WCDL and WCEL, and a director of certain other subsidiaries of the Company. Furthermore, Mr. Tsui is a director of WPSL, the vice chairman of WPL, as well as a director of Joyce. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2012, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on annualised basis, would be approximately HK\$3.23 million per annum (2011: HK\$2.39 million).

Hon Paul Mo Po Chan, *JP, Director (Age: 57)*

Mr Chan, *MBA, FCPA, FCCA, FCPA (Australia), FCIS, FCS, FTIHK*, has been an Independent Non-executive Director of the Company since September 2004. He also serves as a member of the Company's Audit Committee. He is the co-chairman of Crowe Horwath (HK) CPA Ltd. He is also an independent non-executive director of two companies publicly-listed in Hong Kong, namely, China Communications Services Corporation Limited and Hong Kong Economic Times Holdings Limited, and has become an independent director of a company publicly-listed on Shenzhen Stock Exchange, namely, China Vanke Co., Ltd., since March 2011. Mr Chan was formerly an independent non-executive director of China Resources Land Limited from 2006 to 2008 and Kingmaker Footwear Holdings Limited from 2004 to 2011, both being publicly-listed companies in Hong Kong.

In public service, Mr Chan is the chairman of Legal Aid Services Council and HKTDC Professional Services Advisory Committee. He is also a member of West Kowloon Cultural District Authority and The HKSAR Government's Strategic Development Commission. He is also a member of Shanghai Municipal Committee and Qingdao Municipal Committee of the Chinese People's Political Consultative Conference. Mr Chan was elected in September 2008 as a member of Legislative Council representing the Accountancy Functional Constituency. In 2007, he was appointed a Justice of the Peace.

Mr Chan has over 30 years' experience in accounting and finance field and is a former president of the Hong Kong Institute of Certified Public Accountants. He is also a former chairman of The Association of Chartered Certified Accountants – Hong Kong.

Edward Kwan Yiu Chen, *GBS, CBE, JP, Director (Age: 67)*

Professor Chen has been an Independent Non-executive Director of the Company since 2002. He was the president of Lingnan University in Hong Kong from September 1995 to August 2007. He is an honorary professor of the Open University of Hong Kong and a distinguished fellow of the Centre of Asian Studies at The University of Hong Kong. He was a member of the Legislative Council of Hong Kong from 1991 to 1992, and a member of the Executive Council of Hong Kong from 1992 to 1997. He was also a member of the Hong Kong SAR Basic Law Consultative Committee from 1985 to 1990. He is a director of two companies publicly-listed in Hong Kong, namely, Asia Satellite Telecommunications Holdings Limited and First Pacific Company Limited.

Professor Chen was educated at The University of Hong Kong (Bachelor of Arts and Master of Social Science) and Oxford University (Doctor of Philosophy). He was appointed a Justice of the Peace in 1993 and awarded a CBE in 1995. In 2003, he was awarded the Gold Bauhinia Star Medal by the Hong Kong SAR Government.

Raymond Kuo Fung Ch'ien, *GBS, CBE, JP, Director (Age: 60)*

Dr Ch'ien has been an Independent Non-executive Director of the Company since 2002. He is the chairman and a director of China.com Inc. (listed on Growth Enterprise Market) and is also the chairman of MTR Corporation Limited and Hang Seng Bank Limited as well as an independent non-executive director of China Resources Power Holdings Company Limited and Convenience Retail Asia Limited, all being companies publicly-listed in Hong Kong. He is also the chairman of Ascendas China Commercial Fund Management Limited. Dr Ch'ien also serves on the boards of The Hongkong and Shanghai Banking Corporation Limited, Hong Kong Mercantile Exchange Limited and Swiss Reinsurance Company Ltd which is listed in Switzerland. Dr Ch'ien was formerly a director of publicly-listed VTech Holdings Limited and also of CDC Corporation and Inchcape plc.

In public service, Dr Ch'ien is a member of the Standing Committee of the Tianjin Municipal Committee of the Chinese People's Political Consultative Conference. Dr. Ch'ien is an honorary president and past chairman of the Federation of Hong Kong Industries. From 1992 to 1997, Dr Ch'ien was a member of the Executive Council of Hong Kong, then under British administration. He was appointed a member of the Executive Council of the Hong Kong SAR on 1 July 1997 and served until June 2002.

Dr Ch'ien received a doctoral degree in Economics from the University of Pennsylvania in 1978 and became a Trustee of the University in 2006. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star Medal by the Hong Kong SAR Government. In 2008, he was conferred the honour of Chevalier de l'Ordre du Merite Agricole of France.

Hon Vincent Kang Fang, *SBS, JP, Director (Age: 68)*

Mr Fang has been an Independent Non-executive Director of the Company since 1993. He also serves as a member and chairman of the Company's Audit Committee. He is the chief executive officer of Topy Company (Hong Kong) Limited and managing director of Fantastic Garments Limited.

Mr Fang currently serves as a member of Legislative Council representing Wholesale and Retail in Functional Constituency. He is a member of the Hospital Authority and Hong Kong Tourism Board. He is also a member of the Operations Review Committee of the Independent Commission Against Corruption ("ICAC"). He is also a board member of the Airport Authority. He is the chairman of Hospital Governing Committee of Princess Margaret Hospital and Kwai Chung Hospital and the Quality Tourism Services Association. He is an honorary advisor of Hong Kong Retail Management Association and a director of The Federation of Hong Kong Garment Manufacturers.

Mr Fang is a graduate of North Carolina State University where he obtained both his bachelor's and master's degrees in Science of Textiles Engineering. Mr Fang was awarded the Silver Bauhinia Star by the Hong Kong SAR Government in 2008. He is also a Justice of the Peace.

Report of the Directors

Hans Michael Jebsen, *BBS, Director (Age: 55)*

Mr Jebsen has been an Independent Non-executive Director of the Company since 2001. He also serves as a member of the Company's Audit Committee, Nomination Committee and Remuneration Committee. He is the chairman of Jebsen and Company Limited and also a non-executive director of publicly-listed Hysan Development Company Limited as well as the vice chairman and a Board Member of Danfoss A/S, Denmark. He currently holds a number of public offices, namely, the vice-president and a trustee of World Wide Fund for Nature Hong Kong, the chairman of the Friend's Committee of the Asian Cultural Council Hong Kong, a Board Member of the Asian Cultural Council Board of Trustees, affiliate of the Rockefeller Brothers Fund, New York, an honorary fellow and a council member of the Hong Kong University of Science & Technology, as well as a member of the Advisory Council for the Environment, Hong Kong European Union Business Co-operation Committee of the Hong Kong Trade Development Council, Advisory Council as well as Board of Trustees of Asia Society Hong Kong Center and Advisory Board of the Hong Kong Red Cross. He is also an Honorary Citizen and Municipal Economic Advisor as well as a Committee Member of the CPPCC Jilin City, China.

After schooling in Germany and Denmark, he received a two-year banking education in Germany and the UK and studied Business Administration at the University of St. Gallen in Switzerland from 1978 to 1981.

Mr Jebsen was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government in 2001, made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. The Queen of Denmark in 2006, was awarded the Merit Cross of the Order of the Merit of the Federal Republic of Germany in 2008 and received the title "Hofjægermester" by H. M. The Queen of Denmark in January 2011.

James Edward Thompson, *GBS, Director (Age: 72)*

Mr Thompson has been an Independent Non-executive Director of the Company since 2001. He also serves as a member and the chairman of the Company's Remuneration Committee as well as a member of the Company's Audit Committee and Nomination Committee. He established his company, Crown Worldwide, in Japan in 1965. He is a member of the American Chamber of Commerce in Hong Kong and was appointed as its chairman in 2003. He also serves on Hong Kong – United States Business Council and Hong Kong-EU Business Co-operation Committee. Mr Thompson has lived in Hong Kong for over 33 years and has served on the Trade Development Council, the ICAC Advisory Committee as well as other government and charitable committees. He was awarded the Gold Bauhinia Star by the Hong Kong SAR Government in 2003.

Notes: (1) Wheelock, WF Investment Partners Limited, Wheelock Investments Limited, and Lynchpin Limited (of which Mr P K C Woo, Mr S T H Ng, Mr P Y C Tsui and/or Mr T Y Ng is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) The Company confirms that it has received written confirmation from each of the Independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Listing Rules and considers them independent.

(ii) *Senior Management*

Various businesses of the Group are respectively under the direct responsibility of the Chairman, the Deputy Chairman & Managing Director, the Vice Chairman and the three Executive Directors as named under (A)(i) above. Only those six Directors are regarded as members of the Group's senior management.

(B) Directors' Interests in Shares

At 31 December 2011, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company, Wheelock (which is the Company's parent company), and two subsidiaries of the Company, namely, i-CABLE and Modern Terminals, and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

| | No. of Ordinary Shares (percentage of issued capital) | Nature of Interest |
|-------------------------|--|--|
| The Company | | |
| Stephen T H Ng | 804,445 (0.0266%) | Personal Interest |
| T Y Ng | 220,294 (0.0073%) | Personal Interest |
| Wheelock | | |
| Peter K C Woo | 1,207,357,330 (59.4216%) | Personal Interest in 8,847,510 shares, Corporate Interest in 203,288,142 shares and Other Interest in 995,221,678 shares |
| Stephen T H Ng | 300,000 (0.0148%) | Personal Interest |
| T Y Ng | 70,000 (0.0034%) | Personal Interest |
| i-CABLE | | |
| Stephen T H Ng | 1,265,005 (0.0629%) | Personal Interest |
| T Y Ng | 17,801 (0.0009%) | Personal Interest |
| Modern Terminals | | |
| Hans Michael Jebsen | 3,787 (5.40%) | Corporate Interest |

Notes: (1) The 995,221,678 shares of Wheelock stated above as "Other Interest" against the name of Mr Peter K C Woo represented an interest comprised in certain trust properties in which Mr Woo was taken, under certain provisions in Part XV of the SFO which are applicable to a director or chief executive of a listed company, to be interested.

(2) The shareholdings classified as "Corporate Interest" in which the Directors concerned were taken to be interested as stated above were interests of corporations at respective general meetings of which the relevant Directors were respectively either entitled to exercise (or taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power in general meetings of such corporations.

Report of the Directors

Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted/exercisable under the Share Option Scheme of the Company held by Directors of the Company during the financial year:

| Name of Director | Date granted (Day/Month/Year) | No. of Shares under Option | | | Subscription Price per Share (HK\$) | Period during which rights exercisable (Day/Month/Year) |
|------------------|----------------------------------|-------------------------------|---------------------------------|------------------------------|--|--|
| | | Granted during the year | Exercised during the year | As at 31 December 2011 | | |
| Peter K C Woo | 04/07/2011 | 1,500,000 | Nil | 1,500,000 | 55.15 | 05/07/2011 – 04/07/2016 |
| Stephen T H Ng | 04/07/2011 | 1,500,000 | Nil | 1,500,000 | 55.15 | 05/07/2011 – 04/07/2016 |
| Andrew O K Chow | 04/07/2011 | 1,500,000 | Nil | 1,500,000 | 55.15 | 05/07/2011 – 04/07/2016 |
| Doreen Y F Lee | 04/07/2011 | 1,500,000 | Nil | 1,500,000 | 55.15 | 05/07/2011 – 04/07/2016 |
| T Y Ng | 04/07/2011 | 1,500,000 | Nil | 1,500,000 | 55.15 | 05/07/2011 – 04/07/2016 |
| Paul Y C Tsui | 04/07/2011 | 1,500,000 | Nil | 1,500,000 | 55.15 | 05/07/2011 – 04/07/2016 |

Notes: (1) There was no outstanding share option held by any Director as at 1 January 2011.

(2) The share options were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant options, i.e. exercisable to the extent of one-fifth of the relevant total number of shares, as follows:

- (i) First tranche is exercisable from 5 July 2011 to 4 July 2016;
- (ii) Second tranche is exercisable from 5 July 2012 to 4 July 2016;
- (iii) Third tranche is exercisable from 5 July 2013 to 4 July 2016;
- (iv) Fourth tranche is exercisable from 5 July 2014 to 4 July 2016; and
- (v) Fifth tranche is exercisable from 5 July 2015 to 4 July 2016;

(3) The closing price of the shares on the last trading day immediately before the abovementioned date of grant was HK\$54.05 per share.

(4) Except as disclosed above, no share option of the Company held by Directors was exercised, cancelled or lapsed throughout the financial year ended 31 December 2011.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange by the Directors and/or Chief Executive of the Company pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers, there were no interests, both long and short positions, held as at 31 December 2011 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), nor had there been any rights to subscribe for any shares, underlying shares or debentures of the Company held by any of them at any time as at 31 December 2011.

(C) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at 31 December 2011, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at the date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

| Names | No. of Ordinary Shares (percentage of issued capital) | |
|-------------------------------------|--|-----------------|
| (i) Lynchpin Limited | 213,267,072 | (7.04%) |
| (ii) WF Investment Partners Limited | 1,302,017,536 | (42.98%) |
| (iii) Wheelock Investments Limited | 1,515,284,608 | (50.02%) |
| (iv) Wheelock and Company Limited | 1,515,284,608 | (50.02%) |
| (v) HSBC Trustee (Guernsey) Limited | 1,515,284,608 | (50.02%) |
| (vi) JPMorgan Chase & Co. | 154,481,700 | (5.10%) |

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (v) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (iii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv) and (iv) in (v).

All the interests stated above represented long positions. As at 31 December 2011, JPMorgan Chase & Co. had a short position in 3,517,815 shares (0.12%) and a lending pool of 80,674,047 shares (2.66%) with regard to the issued share capital of the Company according to the record in the Register.

(D) Share Option Scheme

(i) *Summary of the Share Option Scheme (the "Scheme")*

(a) Purpose of the Scheme:

To provide directors and/or employees with the opportunity of acquiring an equity interest in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Group's continued growth and success.

(b) Eligibility:

Eligible participants include any person(s) who is/are full-time and/or part-time employee(s) and/or director(s) of the Company, any of its subsidiary(ies), and/or any of its associate(s). "Associates" include jointly-controlled entities and subsidiary(ies) of associates and of jointly-controlled entity(ies).

(c) (i) Total number of ordinary shares of HK\$1.00 each in the capital of the Company (the "Shares") available for issue under the Scheme as at the date of this annual report:
290,824,732

(ii) Percentage of the issued share capital that it represents as at the date of this annual report:
9.6%

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- (d) Maximum entitlement of each eligible participant under the Scheme:
Not to exceed 1% of the Shares in issue in any 12-month period unless approved by Shareholders of the Company
- (e) Period within which the Shares must be taken up under an option:
Within 10 years from the date on which the option is offered or such shorter period as the Directors may determine
- (f) Minimum period for which an option must be held before it can be exercised:
No minimum period unless otherwise determined by the Board
- (g)
 - (i) Price payable on application or acceptance of the option:
HK\$10.00
 - (ii) The period within which payments or calls must or may be made:
28 days after the offer date of an option or such shorter period as the Directors may determine
 - (iii) The period within which loans for the purposes of the payments or calls must be repaid:
Not applicable
- (h) Basis of determining the subscription price:
The subscription price shall be determined by the Directors at the time of offer but shall not be less than whichever is the highest of:–
 - (i) the indicative price per share for subscription of Shares under the option as specified in the written offer containing the offer of the grant of the option to an eligible participant;
 - (ii) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of an option, which must be a Stock Exchange trading day;
 - (iii) the average closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Stock Exchange trading days immediately preceding the date of grant of an option; and
 - (iv) the nominal value of a Share.
- (i) The remaining life of the Scheme:
Approximately 9 years (expiring on 8 June 2021)

(ii) *Details of Share Options Granted*

Details of share options granted to Directors of the Company and the relevant movement(s) during the financial year are set out in the section headed "(B) Directors' Interests in Shares".

Set out below are particulars and movement(s) during the financial year of all of the Company's outstanding share options which were granted to certain employees (six of them being Directors of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits:

| Date granted <i>(Day/Month/Year)</i> | No. of shares represented by options granted during the year | No. of shares represented by options lapsed/ exercised during the year | No. of shares represented by unexercised options outstanding as at 31 December 2011 | Vesting/Exercise Period <i>(Day/Month/Year)</i> | Price per share to be paid on exercise of options <i>(HK\$)</i> |
|--|---|---|--|---|---|
| 04/07/2011 | 2,420,000 | Nil | 2,420,000 | 05/07/2011 – 04/07/2016 | 55.15 |
| | 2,420,000 | | 2,420,000 | 05/07/2012 – 04/07/2016 | |
| | 2,420,000 | | 2,420,000 | 05/07/2013 – 04/07/2016 | |
| | 2,420,000 | | 2,420,000 | 05/07/2014 – 04/07/2016 | |
| | 2,420,000 | | 2,420,000 | 05/07/2015 – 04/07/2016 | |
| | 12,100,000 | | 12,100,000 | | |

Notes: (1) There was no outstanding share option as at 1 January 2011.

(2) The closing price of the shares on the last trading day immediately before the abovementioned date of grant was HK\$54.05 per share.

(3) Except as disclosed above, no share option of the Company was issued, exercised, cancelled or lapsed throughout the financial year ended 31 December 2011.

(E) Retirement Benefits Schemes

A number of defined contribution schemes (including the Mandatory Provident Fund) administered by independent trustees are available to the majority of the Group's employees. Certain defined benefit schemes administered by independent trustees are also available to certain employees of the Group.

For defined contribution schemes, both the Group and the employees contribute respectively to the schemes sums which represent certain percentage of the employees' salaries. The contribution by the Group are expensed as incurred and may be reduced by contribution forfeited for those employees who have left the scheme prior to full vesting of the related contribution. During the year ended 31 December 2011, total contribution expense amounted to HK\$125 million after a forfeiture of the Group's contribution of HK\$3 million.

For defined benefit schemes, both the Group and the employees contribute, which are in accordance with the recommendations made by actuaries based on their valuation of the schemes. The latest valuations of the schemes as at 31 December 2011 were performed by Tower Watson Hong Kong Limited, who is independent qualified actuaries, using the projected unit credit method, based on discount rate of 1% to 1.5% and expected return on scheme assets of 6.5% to 7%. The aggregate funding ratio of the schemes was 109%. During the year ended 31 December 2011, total amount credited to income statement amounted to HK\$4 million.

Report of the Directors

(F) Directors' Interests in Competing Business

Set out below is information disclosed pursuant to Rule 8.10 of the Listing Rules.

Five Directors of the Company, namely, Mr P K C Woo, who is also the chairman and a substantial shareholder of Wheelock, and Messrs S T H Ng, A O K Chow, T Y Ng and P Y C Tsui, being also directors of Wheelock and/or certain wholly-owned subsidiaries of Wheelock, are considered as having an interest in Wheelock under Rule 8.10 of the Listing Rules.

The ownership of commercial premises for rental purposes and the development of properties for sale and/or investment purposes by Wheelock and its wholly-owned subsidiaries (the "Wheelock Group") are considered as competing businesses for the Group. However, the Group itself has adequate experience in property leasing and property development and is therefore capable of carrying on its property leasing and property development business independently of the Wheelock Group.

For safeguarding the interests of the Group, the Independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's development of properties for sale and/or investment and property leasing businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wheelock Group.

(G) Major Customers and Suppliers

For the financial year ended 31 December 2011:

- (i) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and
- (ii) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(H) Bank Loans, Overdrafts and other Borrowings

Particulars of any and all bank loans, overdrafts and/or other borrowings of the Company and of the Group as at 31 December 2011 which are repayable on demand or within a period not exceeding one year are set out in Note 21 to the Financial Statements on pages 157 to 160. Those which would fall due for repayment after a period of one year are particularised in Note 21 to the Financial Statements on page 157 to 160. Details of the convertible bonds are set out in Note 21 to the Financial Statements on pages 157 to 160.

Set out below is information regarding certain borrowings of the Group outstanding as at 31 December 2011, all in the form of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:

| Name of Subsidiary/Borrower | Description of Debt Securities Issued | Outstanding Principal Amount |
|------------------------------------|--|---|
| (1) Wharf Finance (BVI) Limited | HK\$ Guaranteed Floating Rate Notes due 2013 | HK\$300 Million |
| | HK\$ Guaranteed Fixed Rate Notes due 2016 | HK\$250 Million |
| (2) Wharf Finance Limited | HK\$ Guaranteed Floating Rate Notes due 2014 | HK\$200 Million |
| | HK\$ Guaranteed Fixed Rate Notes due 2016 | HK\$430 Million |
| | US\$ Guaranteed Fixed Rate Notes due 2017 | US\$400 Million |
| | HK\$ Zero Coupon Callable Notes due 2019 | HK\$353 Million |
| | HK\$ Zero Coupon Callable Notes due 2019 | HK\$177 Million |
| | HK\$ Guaranteed Fixed Rate Notes due 2021 | HK\$345 Million |
| | HK\$ Guaranteed Fixed Rate Notes due 2040 | HK\$250 Million |
| | (3) Wharf Finance (No. 1) Limited | HK\$ Guaranteed Fixed Rate Notes due 2016 |
| | SG\$ Guaranteed Fixed Rate Notes due 2016 | SG\$160 Million |
| | RMB Guaranteed Floating Rate Notes due 2016 | RMB150 Million |
| | US\$ Guaranteed Floating Rate Notes due 2016 | US\$58 Million |
| | HK\$ Guaranteed Fixed Rate Notes due 2019 | HK\$240 Million |
| | HK\$ Guaranteed Fixed Rate Notes due 2020 | HK\$550 Million |

Report of the Directors

| Name of Subsidiary/Borrower | Description of Debt Securities Issued | Outstanding Principal Amount |
|--|---|-------------------------------------|
| (3) Wharf Finance (No. 1) Limited (cont'd) | HK\$ Guaranteed Fixed Rate Notes due 2020 | HK\$180 Million |
| | HK\$ Guaranteed Fixed Rate Notes due 2020 | HK\$200 Million |
| | HK\$ Guaranteed Fixed Rate Notes due 2020 | HK\$100 Million |
| | SG\$ Guaranteed Fixed Rate Notes due 2021 | SG\$260 Million |
| | JPY Guaranteed Fixed Rate Notes due 2026 | JPY10,000 Million |
| (4) Wharf Finance (2014) Limited | HK\$ Guaranteed Fixed Rate Convertible Bonds due 2014 | HK\$6,220 Million |
| (5) Wharf MTN (Singapore) Pte. Ltd. | SG\$ Guaranteed Fixed Rate Notes due 2018 | SG\$250 Million |

(I) Interest Capitalised

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 4 to the Financial Statements on page 141.

(J) Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the financial year ended 31 December 2011.

(K) Disclosure of Connected Transactions

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in announcements of the Company dated 15 June 2011 and 30 December 2011 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(i) *Acquisition of Property Interests in Foshan*

On 15 June 2011, Wharf China Development Limited, a wholly-owned subsidiary of the Company, entered into a Sale and Purchase Agreement with Wheelock Properties Limited (“WPL”), for the acquisition of (i) the entire issued share capital of Wheelock Properties (China) Limited (“WPCL”) at a consideration of HK\$1,448,628,653 and (ii) the outstanding shareholder loan on a dollar-for-dollar basis (in the amount of HK\$1,936.3 million at the date of completion, i.e. 30 June 2011) (the “Foshan Transaction”). WPCL is an investment holding company, and its only major assets are the 50% effective interests in the properties under each of the projects, being owned by joint venture(s) regarding developments of residential properties originally owned in equal shares by the China Merchants Property Development Co., Ltd. group and the WPL group in Foshan, Guangzhou, China. The purpose of this transaction is for acquisition of development property interests in China which is one of the Group’s major businesses.

As WPL is a wholly-owned subsidiary of Wheelock, which in turn is the parent company of the Company, the entering into of the Foshan Transaction constituted a connected transaction for the Company under the Listing Rules.

(ii) *Master Tenancy Agreements*

Various tenancy agreements were previously entered into between certain subsidiaries of the Company as landlords and certain subsidiaries, associates and/or affiliates of Chesterland Group Limited (formerly known as The Lane Crawford Joyce Group (BVI) Limited) (“Chesterland”) as tenants for the purpose of the letting by the landlords to the tenants certain retail/commercial premises owned by the Group for operating various retail businesses, including Lane Crawford stores and City Super stores.

On 21 November 2008, a master tenancy agreement (the “MTA”) was entered into between the Company and Chesterland for a term of three years from 1 January 2009 to 31 December 2011 for the purpose of, among other things, providing for the maximum aggregate annual cap amount of rentals that would be payable by the tenants to the landlords under various tenancy agreements.

On 30 December 2011, a supplemental agreement to the MTA (the “Supplemental Agreement”) was entered into between the Company and Chesterland for the purpose of revising the annual cap amount applicable to the financial year ended 31 December 2011 to HK\$450 million (instead of the aggregate annual cap amount of rentals of HK\$405 million as provided in the MTA), for the purpose of enabling the Group to receive from the Chesterland group members full amounts of the rents which would be payable by the latter under various tenancy agreements and which in aggregate would exceed HK\$405 million. The aggregate amount of rents received by the Group for the financial year ended 31 December 2011 was HK\$438 million.

Report of the Directors

Also on 30 December 2011, the Company entered into a renewal master tenancy agreement (the "Renewal MTA") with Wisdom Gateway Limited ("WGL") (which is an indirect holding company of Chesterland) for a new term of three years commencing on 1 January 2012 and expiring on 31 December 2014. The Renewal MTA is for the purpose of providing, *inter alia*, for the aggregate annual cap amount of rentals in respect of the leasing of premises owned by members of the Group to members of WGL group and its associated or affiliated companies during the said three-year term.

As both Chesterland and WGL are indirectly wholly-owned by a trust, the settlor of which is the Chairman of the Company, namely, Mr P K C Woo, the MTA and the Supplemental Agreement and various transactions contemplated and/or governed thereunder (collectively, the "MTA Transactions"), and also the Renewal MTA, constitute continuing connected transactions for the Company under the Listing Rules.

(iii) *Confirmation from the Directors etc.*

(a) The Directors, including the Independent Non-executive Directors, of the Company have reviewed the MTA Transactions mentioned under Section (K)(ii) above and confirmed that the MTA Transactions were entered into:

- (1) by the Group in the ordinary and usual course of its business;
- (2) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreements governing the MTA Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

(b) In accordance with paragraph 14A.38 of the Listing Rules, the Board of Directors engaged the Company's auditors to perform procedures on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants.

The auditors of the Company have advised the following:

- (1) the MTA Transactions had been approved by the Company's Board of Directors;
- (2) nothing came to the attention of the auditors of the Company that caused them to believe that the MTA Transactions were not entered into in accordance with the terms of the related agreements governing the MTA Transactions;
- (3) the relevant cap amounts, where applicable, have not been exceeded during the financial year ended 31 December 2011; and
- (4) for transactions involving the provision of goods and services by the Group, nothing came to the attention of the auditors of the Company that caused them to believe the transactions were not, in any material respects, in accordance with the pricing policies of the Group.