

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 220 to 223.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2012 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 150 to 151.

Appropriations of profits and movements in reserves during the financial year are set out in the Consolidated Statement of Change in Equity on page 155 and Note 28 to the Financial Statements on pages 197 to 198.

DIVIDENDS

A first interim dividend of 45 cents per share was paid on 28 September 2012. The Board has declared a second interim dividend of 120 cents per share, payable on Thursday, 6 June 2013 to Shareholders on record as at 28 May 2013. This second interim dividend is to be paid in lieu of a final dividend in respect of the financial year ended 31 December 2012.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Notes 9 and 10 to the Financial Statements on pages 169 to 172.

DONATIONS

The Group made donations during the financial year totalling HK\$22 million.

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, Ms D Y F Lee, Mr T Y Ng, Mr P Y C Tsui, Mr A S K Au (appointed effective from 22 October 2012), Mr P M P Chan (resigned effective from 28 July 2012), Professor E K Y Chen, Dr R K F Ch'ien, Hon V K Fang, Mr Hans Michael Jebsen, Prof the Hon A K C Li (appointed effective from 1 July 2012) and Mr James E Thompson. (*Subsequent Note: Ms Y T Leng was appointed as a Director of the Company with effect from 11 April 2013.*)

Mr A S K Au and Prof the Hon A K C Li (*and also Ms Y T Leng*), who were appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board in accordance with Article 94 of the Company's Articles of Association, and Mr T Y Ng, Professor E K Y Chen and Dr R K F Ch'ien are also due to retire by rotation 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 Boards 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, 26 March 2013

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SUPPLEMENTARY CORPORATE INFORMATION

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

(i) Directors

Peter Kwong Ching Woo, *GBM, GBS, JP, Chairman* (Age: 66)

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 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. Furthermore, Mr Woo formerly served as the chairman and a director of Wheelock Properties (Singapore) Limited ("WPSL"), a fellow subsidiary of the Company publicly-listed in Singapore, from May 2006 to March 2013. 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 Twelfth National Committee of the Chinese People's Political Consultative Conference of the People's Republic of China. He was awarded the Grand Bauhinia Medal in June 2012 and the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government and appointed a Justice of the Peace in 1993. 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 2013, calculated on an annualised basis, would be approximately HK\$13.21 million per annum (2012: HK\$11.91 million).

Stephen Tin Hoi Ng, *Deputy Chairman & Managing Director* (Age: 60)

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 the deputy chairman of Wheelock, and the chairman of a fellow subsidiary of the Company, namely, WPSL. He is also 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 (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 Joyce Boutique Holdings Limited ("Joyce") and a non-executive director of Greentown China Holdings Limited ("Greentown") (an associated company of the Company), both being publicly-listed companies in Hong Kong. Mr Ng attended Ripon College in Ripon, Wisconsin, U.S.A. and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is the vice chairman of The Hong Kong General Chamber of Commerce and a council member of the Employers' Federation of Hong Kong. He was also a member of the Hong Kong Port Development Council until 31 December 2012. Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2013, calculated on an annualised basis, would be approximately HK\$6.03 million per annum (2012: HK\$5.00 million).

Andrew On Kiu Chow, *Vice Chairman* (Age: 62)

Mr Chow has been 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 ("INED") 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 2013, calculated on an annualised basis, would be approximately HK\$5.07 million per annum (2012: HK\$5.06 million).

Doreen Yuk Fong Lee, *Executive Director* (Age: 56)

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 the senior managing director of Harbour City Estates Limited ("HCEL"), Times Square Limited ("TSL") and Plaza Hollywood Limited, the vice chairman and senior managing director of Wharf China Estates Limited ("WCEL") and Wharf Estates Limited ("WEL") (all these five companies being wholly-owned subsidiaries of the Company), as well as a director of certain other subsidiaries of the Company. She was formerly a director of HCDL from 1 July 2010 to 30 June 2012. Ms Lee is responsible for overseeing the investment properties of the Group in Hong Kong and Mainland China, namely, Harbour City and Times Square in Hong Kong, the Group's Times Square in Shanghai, Chongqing, Wuhan and Dalian respectively, and also the Group's International Financial Square developments in Chengdu, Chongqing and Changsha 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 2013, calculated on an annualised basis, would be approximately HK\$4.58 million per annum (2012: HK\$4.09 million).

Tze Yuen Ng, *Executive Director* (Age: 65)

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 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 HCDL until he resigned with effect from 11 April 2013 and of 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 2013, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on an annualised basis, would be approximately HK\$4.4 million per annum (2012: HK\$3.95 million).

Paul Yiu Cheung Tsui, *Executive Director and Group Chief Financial Officer* (Age: 66)

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, as well as 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 and the vice chairman of WPL. He is also a director of Joyce and a non-executive director of Greentown. Under the existing service contract between the Group and Mr Tsui, his basic salary and various allowances for the year 2013, exclusive of the amounts which would be borne by Wheelock and/or its wholly-owned subsidiary(ies) and calculated on an annualised basis, would be approximately HK\$2.9 million per annum (2012: HK\$2.59 million).

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Alexander Siu Kee Au, OBE, Director (Age: 66)

Mr Au, ACA, FCCA, FCPA, AAI, FCIB, FHKIB, has been an INED of the Company since 22 October 2012. He also serves as a member of the Company's Audit Committee. A banker by profession, he was the chief executive officer of Hang Seng Bank Limited from October 1993 to March 1998 and of Oversea-Chinese Banking Corporation Limited in Singapore from September 1998 to April 2002. Currently, Mr Au is the chairman and non-executive director of Henderson Sunlight Asset Management Limited, being the manager of the publicly-listed Sunlight Real Estate Investment Trust. He is an INED of publicly-listed Henderson Land Development Company Limited, and also a non-executive director of two other companies publicly-listed in Hong Kong, namely, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. Mr Au was formerly an INED of Wheelock during the period from 5 September 2002 to 21 October 2012. He is also a member of the Court of the Hong Kong University of Science and Technology. An accountant by training, Mr Au is a Chartered Accountant as well as a fellow of The Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

Edward Kwan Yiu Chen, GBS, CBE, JP, Director (Age: 68)

Professor Chen has been an INED 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 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 Sciences) 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: 61)

Dr Ch'ien has been an INED of the Company since 2002. He is the chairman of MTR Corporation Limited and Hang Seng Bank Limited as well as an INED of China Resources Power Holdings Company Limited and Convenience Retail Asia Limited, all being companies publicly-listed in Hong Kong. He is also a non-executive director of UGL Limited, which is publicly-listed in Australia. Dr Ch'ien also serves on the boards of directors of The Hongkong and Shanghai Banking Corporation Limited and Swiss Re Ltd which is listed in Switzerland. Dr Ch'ien was formerly the chairman and a director of China.com Inc. (listed on Growth Enterprise Market) until his resignation from such positions with effect from 29 March 2013 and he was formerly also a director of Hong Kong Mercantile Exchange Limited until he resigned with effect from 31 March 2013. Dr Ch'ien formerly served on the boards of directors of two companies which formerly were listed public companies, namely, Swiss Reinsurance Company Limited and CDC Corporation.

In public service, Dr Ch'ien has been appointed a member of the Economic Development Commission of the HKSAR Government established in January 2013 and 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 HKSAR 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.

Vincent Kang Fang, SBS, JP, Director (Age: 69)

Mr Fang has been an INED 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 Toppo 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 the chairman of Hospital Governing Committee of Princess Margaret Hospital and Kwai Chung Hospital and the advisor of the Quality Tourism Services Association. He is an honorary president & international advisor of Hong Kong Retail Management Association and a director of The Federation of Hong Kong Garment Manufacturers. Mr Fang formerly served as a member of the Hospital Authority, Hong Kong Tourism Board, the Operations Review Committee of the Independent Commission Against Corruption and the Airport Authority.

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.

Hans Michael Jebsen, BBS, Director (Age: 56)

Mr Jebsen has been an INED 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, a trustee of the World Wide Fund for Nature Hong Kong, the vice chairman and a board member of the Asian Cultural Council Board of Trustees, affiliate of the Rockefeller Brothers Fund, New York; an honorary fellow, a council member, a member of the Corporate Advisory Board of the School of Business and Management and the chairman of the Institutional Advancement and Outreach Committee 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.

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.

Yen Thean Leng, Director (Age: 41)

Ms Leng, BSc(Hons), MRICS, MHKIS, RPS, has been a Director of the Company since 11 April 2013. She joined the Group in 2004. She is an executive director of HCEL, Plaza Hollywood Limited, TSL and WEL, all being wholly-owned subsidiaries of the Company. She was formerly a director of HCDL, from 1 July 2012 to 10 April 2013. Ms Leng has extensive experience in the real estate industry and is responsible, *inter alia*, for managing the Group's core investment properties in Hong Kong, namely, Harbour City, Times Square and Plaza Hollywood. Ms Leng is a chartered surveyor and holds a Bachelor Degree in Land Management with first class honors.

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Arthur Kwok Cheung Li, GBS, JP, Director (Age: 67)

Professor Li, MA, MD, M.B.B.Chir (Cantab), DSc (Hon), DLitt (Hon), Hon DSc (Med), LLD (Hon), Hon Doc (Soka), FRCS (Eng & Edin), FRACS, Hon FACS, Hon FRCS (Glasg & I), Hon FRSM, Hon FPCS, Hon FCSHK, Hon FRCP (Lond), Hon FASA, has been appointed as an INED of the Company since July 2012. He is currently the deputy chairman and a non-executive director of The Bank of East Asia, Limited, and also an INED of Shangri-La Asia Limited and China Flooring Holding Company Limited, all being companies publicly-listed in Hong Kong. He is also a non-executive director of AFFIN Holdings Berhad, a company publicly-listed in Malaysia, and BioDiem Limited, a company publicly-listed in Australia. Professor Li formerly was an INED of the Company from 2001 to 2002.

Professor Li is a member of the National Committee of the Chinese People's Political Consultative Conference, and also a member of the Executive Council of Hong Kong Special Administrative Region ("HKSAR") after having served in that capacity from 2002 to 2007. He was the Secretary for Education and Manpower of the Government of HKSAR from 2002 to 2007.

Professor Li obtained his medical degree from the University of Cambridge in 1969 and assumed various senior roles in the medical profession of the academia. He was the Vice Chancellor of The Chinese University of Hong Kong ("CUHK") from 1996 to 2002 and was the chairman of Department of Surgery from 1982 to 1995 and the Dean of Faculty of Medicine of CUHK from 1992 to 1996. He is currently Emeritus Professor of Surgery, CUHK.

He had held many important positions in various social service organisations, medical associations, and educational bodies, including the Education Commission, Committee on Science and Technology, the Hospital Authority, the Hong Kong Medical Council, the then University and Polytechnics Grants Committee, the College of Surgeons of Hong Kong, and the United Christian Medical Services Board. He was a member of the board of directors of the Hong Kong Science and Technology Parks Corporation and the Hong Kong Applied Science and Technology Research Institute, and the Vice President of the Association of University Presidents of China. He was a Hong Kong Affairs Adviser to China.

James Edward Thompson, GBS, Director (Age: 73)

Mr Thompson has been an INED 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 34 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 (of which Mr P K C Woo, Mr S T H Ng and Mr P Y C Tsui are directors) has 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 Rules Governing the Listing of Securities on the Stock Exchange (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 2012, Directors of the Company in office during the year had the following beneficial interests, all being long positions, in the share capitals of the Company, Wheelock (which is the Company's parent company), three subsidiaries of the Company, namely, i-CABLE and Modern Terminals and Wharf Finance (2014) Limited, and an associated corporation of the Company, namely, Greentown, and the percentages which the relevant shares represented to the issued share capitals of the four companies respectively are also set out below:

	Quantity held (percentage of issued capital, where applicable)	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	1,220,417,330 (60.06%)	Personal Interest in 8,847,510 shares, Corporate Interest in 216,348,142 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
Wharf Finance (2014) Limited — Convertible Bonds due 2014		
Alexander S K Au (Note (3))	HK\$2,000,000	Personal Interest
Greentown		
Andrew O K Chow	620,000 (0.03%)	Personal 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.
- (3) Regarding the HK\$2,000,000 worth of convertible bonds held by Mr Alexander S K Au (as set out above), in the event of the conversion rights attached thereto being fully exercised, 22,222 shares (representing 0.0007%) of the issued share capital of the Company would be issued.

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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 in office 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)
		As at 1 January 2012	As at 31 December 2012		
Peter K C Woo	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Stephen T H Ng	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Andrew O K Chow	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Doreen Y F Lee	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
T Y Ng	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Paul Y C Tsui	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016

Notes: (1) 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 options and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 5th of July in the years 2011, 2012, 2013, 2014 and 2015 respectively.

(2) No share option of the Company held by Directors lapsed or was exercised or cancelled during the financial year ended 31 December 2012, and no share option of the Company was granted to any Director during the financial year ended 31 December 2012.

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 2012 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 and its associated corporations held by any of them at any time as at 31 December 2012.

(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 2012, 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) Wheelock and Company Limited	1,545,015,608 (51%)
(ii) HSBC Trustee (Guernsey) Limited	1,545,015,608 (51%)
(iii) JPMorgan Chase & Co.	154,481,700 (5.10%)

Notes: (1) For the avoidance of doubt and double counting, it should be noted that the shareholdings stated against parties (i) and (ii) represented the same block of shares.

(2) Wheelock and Company Limited's deemed shareholding interests stated above comprised interests held through its wholly-owned subsidiaries, namely, Lynchpin Limited ("LL"), WF Investment Partners Limited ("WIPL") and Wheelock Investments Limited ("WIL"), with 213,267,072 shares (7.04%) being the deemed interests held by LL, 1,302,017,536 shares (42.98%) being the deemed interests held by WIPL and 1,515,284,608 shares (50.02%) being the deemed interests held by WIL.

All the interests stated above represented long positions. As at 31 December 2012, 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%
- (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

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- (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 8 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 in office during the year), 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 (Day/Month/Year)	No. of shares under option		Vesting/Exercise Period (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
	As at 1 January 2012	As at 31 December 2012		
04/07/2011	2,420,000	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		

Note: No share option of the Company lapsed or was granted, exercised or cancelled during the financial year ended 31 December 2012.

(E) Retirement Benefits Schemes

The Group's principal retirement benefits schemes available to its Hong Kong employees are defined contribution schemes (including the Mandatory Provident Fund) which are administered by independent trustees. Both the Group and the employees contribute respectively to the schemes sums which represent certain percentage of the employees' salaries. The contributions by the Group are expensed as incurred and may be reduced by contribution forfeited for those employees who have left the schemes prior to full vesting of the related contribution.

The employees of the Group's subsidiaries in PRC are members of the state-managed social insurance and housing funds operated by the Government of PRC. The PRC subsidiaries are required to contribute a certain percentage of payroll costs to the funds to fund the benefits. The only obligation of the Group with respect to the retirement benefits of PRC employees is to make the specified contributions.

(F) Directors' Interests in Competing Business

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

Six 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, P Y C Tsui and Ms D Y F Lee, 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.

Report of the Directors

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 2012:

- (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 2012 which are repayable on demand or within a period not exceeding one year are set out in Note 23 to the Financial Statements on pages 183 to 186. Those which would fall due for repayment after a period of one year are particularised in Note 23 to the Financial Statements on pages 183 to 186. Certain information regarding the convertible bonds issued in June 2011 (the "Convertible Bonds") are set out in Note 23(g) to the Financial Statements on pages 185 and 186.

(I) Convertible Bonds — Adjustment to Conversion Price

The conversion price of the Convertible Bonds was initially fixed at HK\$90.00 per Share, subject to adjustment for certain events as stipulated under the terms and conditions of the Convertible Bonds (the "CB Terms & Conditions"), which include, *inter alia*, any Capital Distribution (as defined in the CB Terms & Conditions).

Cumulatively, the total dividends of HK\$1.06 and HK\$1.65 per Share in respect of the financial years ended 31 December 2011 and 2012 respectively have triggered an adjustment to the conversion price in accordance with the CB Terms and Conditions. Accordingly, the conversion price of the Convertible Bonds will be adjusted from HK\$90 per Share to HK\$88.97 per Share, and such an adjustment will become effective on 29 May 2013. The maximum number of Shares into which the Convertible Bonds are convertible will increase from 69,111,111 Shares (before the adjustment) to 69,911,206 Shares (after the adjustment), respectively representing about 2.28% and 2.31% of the existing issued share capital of the Company.

(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 2012.

(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 30 December 2011, 15 February 2012 and 7 June 2012 respectively and are required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company.

(i) Master Tenancy Agreements

During the financial year under review, there existed various tenancy agreements entered into between certain subsidiaries of the Company as landlords and certain subsidiaries, associates and/or affiliates of Wisdom Gateway Limited ("WGL") as tenants (the "Eligible 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 30 December 2011, the Company entered into a master tenancy agreement (the "MTA") with WGL for a term of three years from 1 January 2012 to 31 December 2014. The 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 the Eligible Tenants during the said three-year term.

As WGL is 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 various transactions contemplated and/or governed thereunder constitute continuing connected transactions for the Company under the Listing Rules.

The aggregate amount of rental receivable by the Group under the MTA is subject to an annual cap amount previously disclosed in the abovementioned announcement dated 30 December 2011 and the aggregate amount of rent received by the Group for the financial year ended 31 December 2012 was HK\$741 million.

(ii) Beijing Land Joint Venture

On 14 February 2012, the Group together with China Merchants Property Development Co., Ltd. ("CMP") group succeeded in bidding for two pieces of land in Beijing with total site area of about 72,702 sq. m. and total maximum developable residential gross floor area of about 181,756 sq. m. (the "Beijing Land") at an aggregate price of RMB2,370 million (equal to about HK\$2,920 million). A framework agreement was entered into between the Group and CMP on 14 February 2012 for the purpose of joint bidding and development of the Beijing Land, with the share of ownership initially being 50:50 as stipulated in that framework agreement. The purpose of the relevant transaction is for broadening the asset and earnings base of the Group.

As CMP is a 54.1%-owned subsidiary of China Merchants Group Co., Ltd. which in turn is an indirect substantial shareholder of a non wholly-owned subsidiary of the Company, CMP is regarded as a connected person of the Company. Therefore, the entering into of the relevant joint venture constituted a connected transaction for the Company under the Listing Rules.

Report of the Directors

(iii) Acquisition of equity interests in Greentown

On 7 June 2012, Target Smart Investments Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, acquired 34,888,500 shares of Greentown (representing approximately 2.13% of the issued share capital of Greentown as at 7 June 2012) from Denarie Enterprises Limited and Margingle International Limited (the "Vendors") at a purchase price of HK\$5.2 per share (the "Greentown Transaction"). The total purchase price amounted to HK\$181 million. The purpose of the Greentown Transaction is for streamlining and consolidating the Company's interest in Greentown, having regard to another investment transaction of the Group as per the note set out hereinafter. (Note: Subsequent to the Greentown Transaction, on 8 June 2012, the Company entered into conditional agreements with Greentown to invest a total amount of approximately HK\$5.1 billion to subscribe for shares of Greentown (at the same price of HK\$5.2 per share) and Hong Kong dollar denominated perpetual subordinated convertible securities to be issued by a wholly-owned subsidiary of Greentown which are guaranteed by Greentown and convertible into shares of Greentown.)

As the Vendors are effectively owned and controlled by Mr P K C Woo, the Chairman of the Company, the Vendors are regarded as connected persons of the Company. Therefore, the entering into of the Greentown Transaction constituted a connected transaction for the Company under the Listing Rules.

(iv) 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)(i) 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 2012; 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.