

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 120 to 122.

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 49 and 50 respectively.

Appropriations of profits and movements in reserves of the Group and of the Company during the financial year are set out in the Consolidated Statement of Changes in Equity and Note 26 to the Financial Statements on pages 54 and 97 respectively.

DIVIDENDS

A first interim dividend of 4.0 cents per share was paid in September 2011. In lieu of a final dividend, a second interim dividend of 21.0 cents per share will be paid. In addition, the Board has decided to pay a non-recurrent special dividend of 25.0 cents per share. Both dividends will be paid on 31 May 2012 to Shareholders on record as at 24 May 2012. Total distribution for the year 2011 will amount to 50.0 cents (2010: 12.5 cents) per share.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 9 to the Financial Statements on page 69.

DONATIONS

The Group made donations during the financial year totalling HK\$17 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs Peter K C Woo, Stephen T H Ng, Paul Y C Tsui, Alexander S K Au, B M Chang, Herald L F Lau, Kenneth W S Ting, Ricky K Y Wong and Glenn S Yee. Subsequent to the financial year end, Mr Stewart C K Leung was appointed an additional Director and elected as the Vice Chairman of the Company with effect from 1 February 2012.

Mr Stewart C K Leung, 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 Messrs Peter K C Woo, Paul Y C Tsui, Alexander S K Au, B M Chang and Kenneth W S Ting will also retire from the Board, at the forthcoming Annual General Meeting. Mr B M Chang has decided not to stand for re-election. The other Directors, being eligible, 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 or any of its subsidiaries 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 or any of its subsidiaries 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 a subsidiary of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), granted under Wharf's Share Option Scheme (the "Scheme") to certain employees/directors of Wharf group, some of whom were Directors of the Company during the financial year.

Under the rules of the Scheme, shares of Wharf would be issued at such prices as being equal to the highest of (i) the indicative price as specified in the written offer; (ii) the closing price on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date of grant of the options; (iii) the average closing price on the Stock Exchange for the five trading days immediately preceding the date of grant; and (iv) the nominal value of a share of Wharf; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of offer for the grant of relevant options, as determined by the board of directors of Wharf. During the financial year, no share of Wharf was 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 MANAGEMENT ETC.

(I) Directors

Peter K C 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 1996. He also serves as a member and the chairman of the Company's Nomination Committee as well as a member of the Company's Remuneration Committee. He is also the chairman of two publicly-listed subsidiaries of the Company, namely, Wharf and Wheelock Properties (Singapore) Limited ("WPSL"). Furthermore, he is a director of Wheelock Properties Limited ("WPL", formerly a publicly-listed company until it became a wholly-owned subsidiary of the Company in July 2010) as well as a director of certain other subsidiaries of the Company. He 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, calculated on annualised basis, would be approximately HK\$17.12 million (2011: HK\$16.45 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 59)*

Mr Ng has been a Director of the Company since 1988 and became the Deputy Chairman in 1995. He is also the deputy chairman and managing director of Wharf, the chairman and chief executive officer of i-CABLE Communications Limited ("i-CABLE") as well as the chairman of Harbour Centre Development Limited ("HCDL"), all being publicly-listed subsidiaries of the Company. Furthermore, he is the chairman of Modern Terminals Limited, the chairman and chief executive officer of Wharf T&T Limited, both of them being subsidiaries 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 (2011: HK\$4.77 million) per annum.

Stewart C K LEUNG, *Vice Chairman (Age: 73)*

Mr Leung has been a Director and was elected Vice Chairman of the Company since February 2012. He is currently the chairman of WPL and Wheelock Properties (Hong Kong) Limited ("WPHK"), both being wholly-owned subsidiaries of the Company. Mr Leung has extensive experience in property development, construction, management and related businesses in Hong Kong. He was formerly a director of two publicly-listed companies, namely, New World Development Company Limited and New World China Land Limited. He is currently the chairman of the Executive Committee of The Real Estate Developers Association of Hong Kong.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 65)*

Mr Tsui, *FCCA, FCPA, FCMA, FCIS, CGA-Canada*, has been a Director of the Company since 1998. He became Executive Director of the Company in 2003 and is currently also the Group Chief Financial Officer. He is also an executive director and the group chief financial officer of Wharf as well as a director of HCDL, i-CABLE and WPSL, and a director of certain other subsidiaries of the Company. Furthermore, he is the vice chairman of WPL and also 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, calculated on annualised basis, would be approximately HK\$3.23 million (2011: HK\$3.08 million) per annum.

Alexander S K AU, *OBE, Director (Age: 65)*

Mr Au, *ACA, FCCA, FCPA, AAIA, FCIB, FHKIB*, has been an Independent Non-executive Director of the Company since 2002. He also serves as a member and the chairman of the Company's Audit Committee as well as a member of the Company's Nomination Committee and Remuneration Committee.

A banker by profession, Mr Au 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, he is a non-executive director of three companies publicly-listed in Hong Kong, namely, Henderson Land Development Company Limited, Hong Kong Ferry (Holdings) Company Limited and Miramar Hotel and Investment Company, Limited. He 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 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.

B M CHANG, *Director (Age: 83)*

Mr Chang has been a Director of the Company since 1969. He, being an Independent Non-executive Director, also serves as a member of the Company's Audit Committee.

Herald L F LAU, Director (Age: 71)

Mr Lau, FCA, FCPA, has been an Independent Non-executive Director of the Company since 2010. Mr Lau has been practicing as a certified public accountant in Hong Kong for over 30 years and has extensive experience in auditing, finance, taxation and management. He was formerly a partner of a professional accountants firm PricewaterhouseCoopers, Hong Kong until his retirement from the firm in June 2001. He is also an independent non-executive director of publicly-listed Kerry Properties Limited. Mr Lau was formerly an independent non-executive director of two other publicly-listed companies, namely, Fairwood Holdings Limited from August 1991 to August 2009 and China World Trade Center Company Ltd. (Beijing) from December 2004 to December 2010, and was also a former independent non-executive director of WPL from September 2004 to July 2010.

Kenneth W S TING, SBS, JP, Director (Age: 69)

Mr Ting has been an Independent Non-executive Director of the Company since 2003. 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. Mr Ting is also the chairman of publicly-listed Kader Holdings Company Limited and of Kader Industrial Company Limited. Mr Ting currently serves as the president of HK Wuxi Trade Association Limited, and also the honorary president of the Federation of Hong Kong Industries, the Chinese Manufacturers' Association of Hong Kong, the Toys Manufacturers' Association of Hong Kong Limited and Hong Kong Plastics Manufacturers' Association Limited. He was formerly a non-executive director of publicly-listed New Island Printing Holdings Limited from September 2004 to October 2010 and formerly an independent non-executive director of Times Ltd from June 2007 to January 2010.

Mr Ting also serves as a member of a number of other trade organizations and public committees such as the Hong Kong General Chamber of Commerce, the Hong Kong Polytechnic University Court and The Hong Kong University of Science and Technology Court. He is a member of the Board of Directors of the Faculty of Business and Economics of The University of Hong Kong. Furthermore, he is a member of the Jiangsu Provincial Committee of the Chinese People's Political Consultative Conference.

Ricky K Y WONG, Director (Age: 47)

Mr Wong has been a Director of the Company since 2010. He is currently the managing director of WPL and WPHK, as well as a director of certain other subsidiaries of the Company, and is presently responsible for overseeing the property development and related business of the Group in Hong Kong. Mr Wong also serves as a member of the Real Estate and Infrastructure Committee of The Hong Kong General Chamber of Commerce and a member of the Legal Sub-committee of The Real Estate Developers Association of Hong Kong. Mr Wong graduated from University of Wisconsin in the United States with a Master Degree in Business Administration. Under the existing service contract between the Group and Mr Wong, his basic salary and various allowances for the year 2012, calculated on annualised basis, would be approximately HK\$2.92 million (2011: HK\$2.78 million) per annum.

Glenn S YEE, Director (Age: 61)

Mr Yee has been an Independent Non-executive Director of the Company since 2010. He is the founder and managing director of Pacific Can group of companies, which is one of the leading beverage can manufacturers in China. Mr Yee obtained his Master of Business Administration Degree from Columbia University in the United States. He started his career in General Electric Company in New York and later on joined Continental Can Company ("CCC") in Stamford, Connecticut. In 1979, Mr Yee was transferred to Hong Kong office of CCC and was subsequently promoted to be the managing director of Continental Can Hong Kong Ltd. in 1988. He resigned from this company in 1991 and subsequently started Pacific Can. He was formerly an independent non-executive director of WPL from May 2003 to July 2010.

Note: 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 (the "Listing Rules") on the Stock Exchange, and considers them independent.

(II) Senior Management

Various businesses of the Group are respectively under the direct responsibility of the Chairman, the Deputy Chairman, the Vice Chairman and the Executive Director & Group Chief Financial Officer of the Company as named under A(I) above, who are regarded as senior management of the Group.

B. DIRECTORS' INTERESTS IN SHARES

At 31 December 2011, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, and of two subsidiaries of the Company, namely, Wharf and i-CABLE, and the percentages which the relevant shares represented to the issued share capitals of the three companies respectively are also set out below:

	No. of Ordinary Shares (percentage of issued capital)	Nature of Interest
The Company		
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
B M Chang	8,629,575 (0.4247%)	Corporate Interest
Wharf		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
Kenneth W S Ting	9,600 (0.0003%)	Personal Interest
i-CABLE		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest

Notes:

- (1) The 995,221,678 shares of the Company 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 Securities and Futures Ordinance (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) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr Peter K C Woo totalling 212,135,652 shares of the Company included those shares disclosed as the shareholding interest of Mrs Bessie P Y Woo stated under "Section C. Substantial Shareholders' Interests" below.
- (4) The 995,221,678 shares of the Company as referred to under Note (1) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated under "Section C. Substantial Shareholders' Interests" below.

There was in existence during the financial year a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of interests (all being personal interests) in all the options to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme and were held by Directors of the Company during the financial year:

Name of Director	Date granted (Day/Month/Year)	No. of Wharf's shares under option		Subscription Price per Share (HK\$)	Period during which rights exercisable (Day/Month/Year)
		Granted during the year	At 31 Dec. 2011		
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
Paul Y C Tsui	04/07/2011	1,500,000	1,500,000	55.15	05/07/2011 – 04/07/2016
Ricky K Y Wong	04/07/2011	800,000	800,000	55.15	05/07/2011 – 04/07/2016

Notes:

- (1) There was no outstanding share option of Wharf held by any Director as at 1 January 2011.
- (2) The share options were/will be vested in 5 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 Wharf's shares) 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.
- (3) The closing price of Wharf's shares on the last trading day immediately before the abovementioned date of grant was HK\$54.05 per share.
- (4) No share option of Wharf held by Directors of the Company 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 during the financial year.

C. SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties, other than person(s) who is/are Director(s) of the Company, who/ 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 that 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) Mrs Bessie P Y Woo	209,712,652 (10.32%)
(ii) HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.91%)

Note: Duplication occurred in respect of the shareholding interests under (i) and (ii) above, as set out in Notes (3) and (4) under "Section B. Directors' Interests in Shares" above.

All the interests stated above represented long positions and as at 31 December 2011, there were no short position interests recorded in the Register.

D. SHARE OPTION SCHEME

(I) Summary of the Share Option Scheme of the Company (the "Company's Scheme")

- (a) Purpose of the Company's 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 entity(ies) and subsidiary(ies) of associates and of jointly-controlled entities.
- (c) (i) Total number of ordinary shares of HK\$0.50 each in the capital of the Company (the "Shares") available for issue under the Company's Scheme as at the date of this annual report:
203,184,928
- (ii) Percentage of the issued share capital that it represents as at the date of this annual report:
10%
- (d) Maximum entitlement of each eligible participant under the Company's 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 Company's Scheme:
Approximately 9 years (expiring on 8 June 2021)

(II) Details of options for Shares of the Company granted

No share option of the Company was granted, issued, exercised, cancelled or lapsed throughout the financial year.

(III) Details of options for shares of Wharf granted

The terms, conditions, and relevant information of the Wharf's Scheme are, *mutatis mutandis*, identical to those of the Company's Scheme (as set out above under D.(I)) in all material respects but that for (i) and (ii) under D.(I)(c), the relevant number/percentage for the Wharf's Scheme are 290,824,732 and 9.6% respectively.

Set out below are particulars and movement(s) during the financial year of all of Wharf's outstanding share options which were granted to certain employees (four 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 all being participants with options not exceeding the respective individual limits:

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

Notes:

- (1) There was no outstanding Wharf's share option as at 1 January 2011.
- (2) The closing price of Wharf's 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 Wharf was granted, 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\$139 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 Towers 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.

F. MAJOR CUSTOMERS & 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.

G. 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 or after one year are set out in Note 21 to the Financial Statements on pages 82 to 85.

H. INTEREST CAPITALISED

The amount of interest capitalised by the Group during the financial year is set out in Note 4 to the Financial Statements on page 65.

I. 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.

J. DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain continuing connected transactions involving the Company and/or its subsidiaries, particulars of which were previously disclosed in the announcements of the Company dated 21 November 2008 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) Master Tenancy Agreement

Various tenancy agreements were previously entered into between certain subsidiaries of Wharf (which is a listed subsidiary 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) ("CGL") as tenants, for the purpose of the letting by the landlords to the tenants certain retail/commercial premises owned by Wharf 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 Wharf and CGL 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 Wharf and CGL 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 Wharf group to receive from CGL 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 from CGL group for the financial year ended 31 December 2011 was HK\$438 million.

Also on 30 December 2011, Wharf entered into a renewal master tenancy agreement (the "Renewal MTA") with Wisdom Gateway Limited ("WGL") (which is an indirect holding company of CGL) 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 Wharf group to members of WGL group and its associated or affiliated companies during the said three-year term.

As both CGL and WGL are indirectly wholly-owned by a trust, the settlor of which is the Chairman of the Company, namely, Mr Peter 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.

(II) With regard to the Related Party Transactions as disclosed under Note 29 to the Financial Statements on page 99, the transaction stated under paragraph "(a)" therein constitutes connected transaction (as defined under the Listing Rules) of the Company and the one under paragraph "(b)" does not constitute a connected transaction for the Company.

(III) Confirmation from Directors etc.

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

- (a) by the Group in the ordinary and usual course of its business;
- (b) 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
- (c) in accordance with the relevant agreements governing such MTA Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

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.