

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 130 to 133.

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 57 and 58 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 28 to the Financial Statements on pages 62 and 105 to 106 respectively.

Dividends

A first interim dividend of 25 cents per share was paid in September 2012. In lieu of a final dividend, a second interim dividend of 60 cents per share will be paid. In addition, the Board has decided to pay a special interim dividend of 25 cents per share. Both dividends will be paid on 7 June 2013 to Shareholders on record as at 31 May 2013. Total distribution for the year 2012 will amount to HK\$1.10 (2011: HK\$0.50) per share.

Fixed Assets

Movements in fixed assets during the financial year are set out in Notes 9 and 10 to the Financial Statements on pages 76 and 78 respectively.

Donations

The Group made donations during the financial year totalling HK\$27 million.

Directors

The Directors of the Company during the financial year were Mr Peter K C Woo, Mr Stephen T H Ng, Mr Stewart C K Leung (appointed with effect from 1 February 2012), Mr Paul Y C Tsui, Mr Alexander S K Au (resigned with effect from 22 October 2012), Mr B M Chang (retired on 31 May 2012), Mr Tak Hay Chau (appointed with effect from 22 October 2012), Mrs Mignonne Cheng (appointed with effect from 1 July 2012), Mr Herald L F Lau, Mr Alan H Smith (appointed with effect from 1 July 2012), Mr Richard Y S Tang (appointed with effect from 22 October 2012), Mr Kenneth W S Ting, Mr Ricky K Y Wong and Mr Glenn S Yee.

Mr Tak Hay Chau, Mrs Mignonne Cheng, Mr Alan H Smith and Mr Richard Y S Tang, 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 Messrs Stephen T H Ng and Herald L F Lau will also retire by rotation from the Board, at the forthcoming Annual General Meeting. Mr Herald Lau 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).

REPORT OF THE DIRECTORS

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 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, 27 March 2013

SUPPLEMENTARY CORPORATE INFORMATION

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

(I) Directors

Peter K C 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 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 The Wharf (Holdings) Limited ("Wharf"), a publicly-listed subsidiary of the Company, and 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. Furthermore, Mr Woo formerly served as the chairman and a director of Wheelock Properties (Singapore) Limited ("WPSL"), a subsidiary of the Company publicly-listed in Singapore, from May 2006 to March 2013. 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 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 Government of Hong Kong Special Administrative Region ("HKSAR") 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\$19.22 million (2012: HK\$17.15 million) per annum.

Stephen T H NG, *Deputy Chairman (Age: 60)*

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") and of WPSL, all being publicly-listed subsidiaries of the Company. Furthermore, he is chairman of Modern Terminals Limited, and chairman and chief executive officer of Wharf T&T Limited, both of them being subsidiaries of the Company, as well as 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"), both being publicly-listed companies in Hong Kong.

Mr Ng attended Ripon College in Ripon, Wisconsin, USA and the University of Bonn, Germany, from 1971 to 1975, and graduated with a major in mathematics. He is a vice chairman of The Hong Kong General Chamber of Commerce ("HKGCC") 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 (2012: HK\$5.01 million) per annum.

Stewart C K LEUNG, *Vice Chairman (Age: 74)*

Mr Leung has been the 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 ("REDA"). Under the existing service contract between the Group and Mr Leung, his basic salary and various allowances for the year 2013, calculated on an annualised basis, would be approximately HK\$5.40 million (2012: HK\$5.40 million) per annum.

Paul Y C TSUI, *Executive Director & Group Chief Financial Officer (Age: 66)*

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. Mr Tsui 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, calculated on annualised basis, would be approximately HK\$3.62 million (2012: HK\$3.23 million) per annum.

Tak Hay CHAU, *GBS, Director (Age: 70)*

Mr Chau has been an Independent Non-executive Director ("INED") of the Company since October 2012. He graduated from The University of Hong Kong in 1967. Mr Chau served in a number of principal official positions in the Hong Kong Government between 1988 and 2002, including Secretary for Commerce and Industry, Secretary for Broadcasting, Culture and Sport, and Secretary for Health and Welfare. Mr Chau was awarded the Gold Bauhinia Star by the Government of HKSAR in 2002. He is an INED of two companies publicly-listed in Hong Kong, namely, SJM Holdings Limited and Tradelink Electronic Commerce Limited.

Mignonne CHENG, *Director (Age: 66)*

Mrs Cheng has been a Non-executive Director of the Company since July 2012. Mrs Cheng, a seasoned banker, has amassed over 35 years of experience in the financial sector with over 25 years in senior management positions in corporate and commercial banking as well as investment banking. She joined BNP Paribas in 1990 and has held various senior positions in BNP Paribas group in the past 22 years. Mrs Cheng is currently the chairman and chief executive officer of BNP Paribas Wealth Management for Asia Pacific and a member of the executive committee of BNP Paribas Wealth Management, since the appointment in 2010.

Prior to joining BNP Paribas, Mrs Cheng was with Chase Manhattan Bank Hong Kong Branch for 18 years, where she took up various positions both on the control and on the operational sides. Mrs Cheng was a member of the Banking Advisory Committee chaired by The Honourable John Tsang, Financial Secretary of the Government of HKSAR, and has also served as a member of The Consultative Committee of the Basic Law of the HKSAR between 1985 and 1989 when the Basic Law was being drafted.

In October 2006, Mrs Cheng was granted the “Top 100 Outstanding Women in Greater China Award” by The Chinese Women Entrepreneurs Association. In October 2007, Mrs Cheng was decorated “Chevalier de l’Ordre National du Mérite”, a French national award, and subsequently “Chevalier de l’Ordre de la Légion d’Honneur” in May 2012. In August 2011, Mrs Cheng was honored as Top 20 Women in Finance by FinanceAsia.

Herald L F LAU, *Director (Age: 72)*

Mr Lau, *FCA, FCPA*, has been an INED of the Company since 2010. Mr Lau has been practising 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 INED of publicly-listed Kerry Properties Limited. Mr Lau was formerly an INED of another publicly-listed company, namely, China World Trade Center Company Ltd. (Beijing) from December 2004 to December 2010, and was also a former INED of WPL from September 2004 to July 2010.

Alan H SMITH, *JP, Director (Age: 69)*

Mr Smith has been an INED of the Company since July 2012. He also serves as a member of the Company’s Audit Committee, Nomination Committee and Remuneration Committee. He was the vice chairman, Pacific Region, of Credit Suisse First Boston (“CSFB”), a leading global investment bank from 1997 until he retired in December 2001. Prior to joining CSFB, he was chief executive of the Jardine Fleming group from 1983 to 1994 and was chairman of the Jardine Fleming group from 1994 to 1996. Mr Smith has over 27 years of investment banking experience in Asia. He was elected a council member of the Stock Exchange on two occasions. He was a member of the Economic Advisory Committee of the Government of HKSAR, and had for 10 years been a member of the Hong Kong Government’s Standing Committee on Company Law Reform. He has been a trustee of the Hospital Authority Provident Fund Scheme since 2002.

Mr Smith graduated with an LLB (Honours) degree from Bristol University, England in 1964, and was admitted as a solicitor in England in 1967 and in Hong Kong in 1970. Mr Smith is also a director of Genting Hong Kong Limited, Kingway Brewery Holdings Limited and VXL Capital Limited, which are listed on the Stock Exchange; Noble Group Limited, which is listed on the Singapore Exchange Securities Trading Limited (“SGX”).

During the last three years, Mr Smith was a director of Frasers Property (China) Limited, which is listed on the Stock Exchange until he resigned/retired from the office with effect from 13 January 2011; United International Securities Limited, which is listed on the SGX, during the period from April 1983 to April 2011; Castle Asia Alternative PCC Limited (formerly known as KGR Absolute Return PCC Limited), which was listed on the London Stock Exchange, during the period from October 2005 to April 2011; and Global Investment House (K.S.C.C.), which is listed on the Kuwait, Bahrain and London Stock Exchanges as well as the Dubai Financial Market during the period from September 2007 to 30 September 2012. Mr Smith also acts as a director of Asian Credit Hedge Fund Ltd. which had been listed on the Irish Stock Exchange but was voluntarily delisted in July 2012.

Richard Y S TANG, *BBS, JP, Director (Age: 60)*

Mr Tang, *BSc, MBA*, has been an INED of the Company since October 2012. He is an MBA graduate from the University of Santa Clara, California, USA and a holder of Bachelor of Science degree in Business Administration from Menlo College, California, USA. Mr Tang is currently the chairman and managing director of Richcom Company Limited, the vice chairman of publicly-listed King Fook Holdings Limited, an executive director of publicly-listed Miramar Hotel and Investment Company, Limited, an INED of publicly-listed Hang Seng Bank Limited, and a director of various private business enterprises. Furthermore, Mr Tang is also an advisor of Tang Shiu Kin and Ho Tim Charitable Fund.

Kenneth W S TING, *SBS, JP, Director (Age: 70)*

Mr Ting has been an INED of the Company since 2003. He also serves as a member and the chairman of the Company’s Audit Committee and Remuneration Committee as well as a member of the Company’s Nomination Committee. Mr Ting is also the chairman of publicly-listed Kader Holdings Company Limited and of Kader Industrial Company Limited. He was appointed as an INED of publicly-listed Cheuk Nang (Holdings) Limited in November 2012. 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 INED 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 HKGCC, the Hong Kong Polytechnic University Court and The Hong Kong University of Science and Technology Court. Furthermore, he is a member of the Jiangsu Provincial Committee of the Chinese People’s Political Consultative Conference.

Ricky K Y WONG, *Director (Age: 48)*

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 HKGCC and a member of the Legal Sub-committee of REDA. 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 2013, calculated on an annualised basis, would be approximately HK\$3.63 million (2012: HK\$2.93 million) per annum.

Glenn S YEE, Director (Age: 62)

Mr Yee has been an INED of the Company since 2010. He also serves as a member of the Company's Audit Committee. Mr Yee is the founder, managing director and chairman of Pacific Can China Holdings Limited, which is one of the leading beverage can manufacturers in China. Mr Yee obtained a B.S. in Mechanical Engineering from Worcester Polytechnic Institute ("WPI") in Massachusetts, and an MBA degree from Columbia University in New York. He started his career in General Electric Company in New York and later on joined Continental Can Company in Stamford, Connecticut. Mr Yee held senior positions in Marketing and Finance areas and was promoted to be managing director of Continental Can Hong Kong Ltd. in 1988; he resigned in 1991 and subsequently started Pacific Can. He was formerly an INED of WPL from May 2003 to July 2010. Mr Yee is also a member of the Board of Trustees at WPI.

Note: The Company confirms that it has received written confirmation from each of the INEDs 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, 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 2012, Directors of the Company had the following beneficial interests, all being long positions, in the securities of the Company, and of three subsidiaries of the Company, namely, Wharf, i-CABLE and Wheelock Finance Limited, and the percentages (where applicable) which the relevant securities represented to the issued share capitals of the four companies respectively are also set out below:

		Quantity held		Nature of Interest
		(percentage of issued capital, where applicable)		
The Company — Ordinary Shares				
Peter K C Woo	1,220,417,330	(60.0644%)		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
Wharf — Ordinary Shares				
Stephen T H Ng	804,445	(0.0266%)		Personal Interest
Kenneth W S Ting	9,600	(0.0003%)		Personal Interest
i-CABLE — Ordinary Shares				
Stephen T H Ng	1,265,005	(0.0629%)		Personal Interest
Wheelock Finance Limited				
— HKD Guaranteed Notes due 2017				
Ricky K Y Wong			HK\$5,000,000	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 Director concerned was taken to be interested as stated above were interests of corporations at respective general meetings of which the Director was 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 225,195,652 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 held by Directors of the Company during the financial year ended 31 December 2012:

Name of Director	Date granted (Day/Month/Year)	No. of Wharf shares under option		Subscription price per share (HK\$)	Period during which rights exercisable (Day/Month/Year)
		At 1 Jan 2012	At 31 Dec 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
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) 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 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.
- (2) No share option of Wharf held by Directors of the Company lapsed, or was exercised or cancelled during the financial year ended 31 December 2012, and no share option of Wharf was granted to any Director of the Company 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 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 2012, 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	223,540,652 (11.002%)
(ii) HSBC Trustee (Guernsey) Limited	1,095,300,362 (53.907%)

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 2012, 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 8 years (expiring on 8 June 2021)

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

No share option of the Company was held by or granted to any Directors of the Company 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 "Section (D)(l)" above) in all material respects but that for (i) and (ii) under "Section (D)(l)(c)" above, the relevant share number/percentage for the Wharf's Scheme are 290,824,732 and 9.6% respectively.

Set out below are particulars and movement(s), if any, during the financial year under review 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 as at 1 January 2012	No. of shares represented by unexercised options as at 31 December 2012	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		

Note: Except as disclosed above, no share option of Wharf 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 employees in Hong Kong 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 contributions forfeited for those employees who have left the schemes prior to full vesting of the related contributions.

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) Major Customers & Suppliers

For the financial year ended 31 December 2012:

- 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
- the aggregate amount of revenue attributable to the Group's five largest customers represented less than 30% of the Group's total revenue.

(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 2012 which are repayable on demand or within a period not exceeding one year or after one year are set out in Note 23 to the Financial Statements on pages 91 to 94.

(H) 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.

(I) 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 the 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 Agreement between Wharf and WGL

During the financial year under review, there existed various tenancy agreements 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 Wisdom Gateway Limited ("WGL"), as tenants (the "Eligible Tenants"), for the purpose of the letting by the landlords to the Eligible Tenants certain retail/commercial premises owned by Wharf group for operating various retail businesses, including Lane Crawford stores and City Super stores.

On 30 December 2011, Wharf entered into a master tenancy agreement (the "MTA") with WGL for a term of three years commencing on 1 January 2012 and expiring on 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 Wharf 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 Peter K C Woo, the MTA and various transactions contemplated and/or governed thereunder (collectively, the "MTA Transactions") constitute continuing connected transactions for the Company under the Listing Rules.

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

(II) Beijing Land Joint Venture between Wharf and CMP

On 14 February 2012, Wharf group together with China Merchants Property Development Co., Ltd. (“CMP”) group succeeded in bidding for two pieces of land in Beijing with a total site area of approximately 72,702 square metres and total maximum developable residential gross floor area of about 181,756 square metres (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 Wharf 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 assets and earning base of the Group.

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 Wharf. Consequently, CMP together with its subsidiaries are regarded as connected persons of the Company under Listing Rules. Therefore, the entering into of the relevant joint venture constituted a connected transaction for the Company under the Listing Rules.

(III) Acquisition of equity interest in Greentown by Wharf group

On 7 June 2012, a wholly-owned subsidiary of Wharf (the “Purchaser”) acquired a total of 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 (collectively, the “Vendors”) at a purchase price of HK\$5.2 per share (the “GT Transaction”). The total purchase price amounted to HK\$181 million. The purpose of the GT Transaction is for streamlining and consolidating Wharf’s interest in Greentown, having regard to another investment transaction of Wharf group in Greentown as per the note set out hereinafter. *(Note: Subsequent to the GT Transaction, Wharf entered into conditional agreements on 8 June 2012 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.)*

The Vendors are effectively owned and controlled by Mr Peter K C Woo, who is the Chairman and Director of the Company. As a result, the Vendors are regarded as connected persons of the Company under the Listing Rules. Therefore, the GT Transaction constituted a connected transaction for the Company under the Listing Rules.

(IV) With regard to the Related Party Transactions as disclosed under Note 31 to the Financial Statements on page 108, 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.

(V) Confirmation from Directors etc.

The Directors, including the INEDs, of the Company have reviewed the MTA Transactions mentioned under Section (I)(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 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.