

# REPORT OF THE DIRECTORS

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended 31 December 2013.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 117 to 119.

## RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group for the financial year ended 31 December 2013 are set out in the Consolidated Income Statement and Consolidated Statement of Comprehensive Income on pages 53 and 54 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 on page 57 and Note 28 to the Financial Statements on pages 99 and 100 respectively.

## DIVIDENDS

A first interim dividend of 35 cents per share was paid in September 2013. In lieu of a final dividend, a second interim dividend of 65 cents per share will be paid on 10 June 2014 to Shareholders on record as at 3 June 2014. Total distribution for the year 2013 will amount to HK\$1.00 (2012: HK\$1.10) 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 70 and 73 respectively.

## DONATIONS

The Group made donations during the financial year totalling HK\$39 million.

## DIRECTORS

The Directors of the Company during the financial year were Mr Douglas C K Woo (appointed with effect from 1 July 2013), Mr Peter K C Woo, Mr Stephen T H Ng, Mr Stewart C K Leung, Mr Paul Y C Tsui, Mr Tak Hay Chau, Mrs Mignonne Cheng, Mr Herald L F Lau (retired on 7 June 2013), Mr Winston K W Leong (appointed with effect from 1 October 2013), Mr Alan H Smith, Mr Richard Y S Tang, Mr Kenneth W S Ting, Ms Nancy S L Tse (appointed with effect from 1 October 2013), Mr Ricky K Y Wong and Mr Glenn S Yee.

Mr Douglas C K Woo, Mr Winston K W Leong and Ms Nancy S L Tse, who were appointed as Directors of the Company after the last Annual General Meeting, are due to retire from the Board at the forthcoming Annual General Meeting in accordance with Article 94 of the Company's Articles of Association, and Messrs Kenneth W S Ting, Ricky K Y Wong and Glenn S Yee will also retire by rotation from the Board in accordance with Article 103A. 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 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 was 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 during the year, there existed certain outstanding options to subscribe for ordinary shares of the Company and of a subsidiary of the Company, namely, The Wharf (Holdings) Limited ("Wharf"), granted under the Company's share option scheme and Wharf's share option scheme respectively to certain employees/directors of companies in the Group, some of whom were Directors of the Company during the financial year.

Under the respective rules of the two schemes, shares of the Company or Wharf would be issued at such prices as being not less than 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; and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant of relevant options, as determined by the boards of directors of the Company or Wharf.

During the financial year, a total of 300,000 shares of Wharf were allotted and issued to Mr Paul Y C Tsui, the Executive Director and Group Chief Financial Officer of the Company, on his exercise of options under Wharf's scheme, while no share of the Company was allotted and issued to any Director of the Company under the Company's 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, 28 March 2014

## REPORT OF THE DIRECTORS

### SUPPLEMENTARY CORPORATE INFORMATION

#### (A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS ETC.

##### (i) Directors

###### **Douglas C K WOO**, *Chairman & Managing Director (Age: 35)*

Mr Woo was appointed a Director and the Managing Director of the Company in July 2013. He became Chairman in January 2014. He also serves as a member and chairman of the Company's Nomination Committee as well as a member of the Company's Remuneration Committee. He is vice chairman and managing director of Wheelock Properties Limited ("WPL"), the Group's Hong Kong property development arm and also a director of certain other subsidiaries of the Company. He currently serves as a member of the Twelfth Beijing Municipal Committee of the Chinese People's Political Consultative Conference ("CPPCC") of the People's Republic of China, a director of The Real Estate Developers Association of Hong Kong ("REDA") and a member of The Hong Kong General Chamber of Commerce ("HKGCC") Economic Policy Committee.

Mr Woo studied at Winchester College in the UK and graduated from Princeton University in the US with a degree in Architecture. He earned a Master of Business Administration degree (EMBA Program) awarded jointly by The HKUST Business School and The Kellogg School of Management of Northwestern University in 2010. Prior to joining the Group in 2005, Mr Woo worked at UBS Real Estate Corporate Finance and UBS Triton Fund and focused primarily in asset acquisitions and management. He also worked at Hamptons International. Mr Woo is the son of Mr Peter K C Woo, Senior Director of the Company.

Under the existing service contract between the Group and Mr Woo, his basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK\$5.44 million (2013: HK\$3.64 million) per annum.

###### **Hon Peter K C WOO**, *GBM, GBS, JP, Senior Director (Age: 67)*

Mr Woo served as the Chairman of the Company from 1986 to 1996 and also from 2002 to December 2013. He stepped down as the Chairman (upon his son Mr Douglas Woo succeeding him as the new Chairman) and has assumed the title of Senior Director of the Company with effect from 1 January 2014. He is currently the chairman of the major publicly listed subsidiary of the Company, namely, Wharf. He had begun his career with Chase Manhattan Bank in New York in 1972 and joined World-Wide Shipping group in Hong Kong in 1975.

For many years, Mr Woo has also been actively engaged in community and related services, both locally and internationally, and has held various lay appointments by Government.

He serves as a member of the Standing Committee of the 10th, 11th and 12th National Committee of CPPCC of the People's Republic of China. He is the convener of Hong Kong CPPCC members.

In Hong Kong, 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 a non-official member of the Commission on Strategic Development since June 2007. Previously, he served as chairman of Hospital Authority from 1995 to 2000, council chairman of Hong Kong Polytechnic University from 1993 to 1997 and chairman of Hong Kong Trade Development Council from 2000 to 2007. He was chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government.

Internationally, he 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 and General Electric.

Mr Woo received an MBA from Columbia University in New York, USA in 1972. He has also 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 2014, calculated on an annualised basis, would be approximately HK\$16.9 million (2013: HK\$19.3 million) per annum.

###### **Stephen T H NG**, *Deputy Chairman (Age: 61)*

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, and 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 Wheelock Properties (Singapore) Limited ("WPSL") in Singapore, all such companies 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 HKGCC and a council member of the Employers' Federation of Hong Kong ("EFHK"). Under the existing service contract between the Group and Mr Ng, his basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK\$6.33 million (2013: HK\$6.03 million) per annum.

###### **Stewart C K LEUNG**, *Vice Chairman (Age: 75)*

Mr Leung has been 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 REDA. Under the existing service contract between the Group and Mr Leung, his basic salary and various allowances for the year 2014, calculated on an annualised basis, would be approximately HK\$5.46 million (2013: HK\$5.46 million) per annum.

###### **Paul Y C TSUI**, *Executive Director & Group Chief Financial Officer (Age: 67)*

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 and a director of HCDL, i-CABLE and WPSL, as well as the vice chairman of WPL and a director of certain other subsidiaries of the Company. 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 2014, calculated on annualised basis, would be approximately HK\$4.22 million (2013: HK\$3.62 million) per annum.

###### **Tak Hay CHAU**, *GBS, Director (Age: 71)*

Mr Chau has been an Independent Non-executive Director ("INED") of the Company since October 2012. He graduated from The University of Hong Kong ("HKU") 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: 67)*

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 23 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.

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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.

**Winston K W LEONG**, *Director (Age: 54)*

Mr Leong has been an INED of the Company since October 2013. He holds a Bachelor of Arts degree in economics and law from the University of Cambridge and a Bachelor of Laws degree from the University of British Columbia. He qualified to practise law in England & Wales, New York State and the Province of British Columbia, Canada, before working in investment banking and then management of private equity funds for investment in the Asia Pacific region. During the course of his career, he has worked in London, Vancouver, New York as well as Hong Kong. Mr Leong is currently a director of various private business enterprises, and a member of the Court of The Hong Kong University of Science and Technology.

**Alan H SMITH**, *JP, Director (Age: 70)*

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, Guangdong Land Holdings Limited (formerly known as Kingway Brewery Holdings Limited) and VXL Capital Limited, which are listed on the Stock Exchange; and 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 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 IP All Seasons Asian Credit Fund (formerly known as 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: 61)*

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: 71)*

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 honorary president of HK Wuxi Trade Association Limited, the Federation of Hong Kong Industries, the Chinese Manufacturers’ Association of Hong Kong and the Toys Manufacturers’ Association of Hong Kong Limited, and also the Honorary Life President of Hong Kong Plastics Manufacturers’ Association Limited.

Mr Ting also serves as a member of a number of other trade organizations and public committees such as HKGCC. He is also a Life Honorary Court member of The Hong Kong University of Science and Technology Court. Furthermore, he is a member of the Jiangsu Provincial Committee of the CPPCC.

**Nancy S L Tse**, *JP, Director (Age: 61)*

Ms Tse, *FCPA (HKICPA), CPA, CA (Canada)*, has been an INED of the Company since October 2013. She obtained her Bachelor of Arts (Honours) degree in Mathematics and Master of Business Administration degree in Finance/Accounting from the University of California, Los Angeles, United States; and qualified as Chartered Accountant in Toronto, Canada. She was the Chief Financial Officer and Director (Finance and Information Technology Services) of the Hong Kong Hospital Authority (“HA”) until her retirement at the end of August 2013. Ms Tse joined the HA in 1991 when it was established. She is a Trustee of the HA Provident Fund Scheme, and an Adjunct Professor of The Jockey Club School of Public Health and Primary Care of The Chinese University of Hong Kong. She also serves as a member of the Audit Committee of HKU and a member of Elderly Services Committee of Chi Lin Nunnery.

**Ricky K Y WONG**, *Director (Age: 49)*

Mr Wong has been a Director of the Company since 2010. He joined the Group in 1989 and 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 the vice chairman of the Real Estate and Infrastructure Committee of HKGCC and a member of the Legal Sub-committee of REDA. He is also a director of Hong Kong Green Building Council, general committee member of the EFHK, a member of External Affairs and Public Concerns Committee and fellow member of Royal Institution of Chartered Surveyors.

In February 2013, he was appointed as an associate member of HKSAR – Central Policy Unit of which he was a part-time member for years 2009 and 2010. Mr Wong has also been appointed as a co-opted member of the Hong Kong Diploma of Secondary Education Examination (HKDSE) – Applied Learning Subject Committee of the Hong Kong Examinations and Assessment Authority from April 2013 to August 2015. 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 2014, calculated on an annualised basis, would be approximately HK\$3.99 million (2013: HK\$3.63 million) per annum.

**Glenn S YEE**, *Director (Age: 63)*

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 made managing director of Continental Can Hong Kong Ltd. in 1988. He resigned in 1991 and subsequently started Pacific Can. Mr Yee is a member of the Board of Trustees at WPI.

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Notes:

- (1) Mr Peter K C Woo formerly served as the chairman and a director of WPSL from May 2006 to March 2013. He is currently a director of certain other subsidiaries of the Company.
- (2) 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 & Managing Director, the Senior Director, 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 SECURITIES

### (I) Interests in shares & debt securities

At 31 December 2013, Directors of the Company had the following beneficial interests, all being long positions, in the shares and/or debt securities of the Company, and of three subsidiaries of the Company, namely, Wharf, i-CABLE and Wheelock Finance Limited. 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 (percentage of issued capital, where applicable)	Nature of Interest
<b>The Company – Ordinary Shares</b>		
Peter K C Woo	1,223,823,330 (60.2320%)	Personal Interest in 8,847,510 shares, Corporate Interest in 219,754,142 shares and Other Interest in 995,221,678 shares
Stephen T H Ng	300,000 (0.0148%)	Personal Interest
<b>Wharf – Ordinary Shares</b>		
Stephen T H Ng	804,445 (0.0266%)	Personal Interest
Kenneth W S Ting	458,248 (0.0151%)	Personal Interest
<b>i-CABLE – Ordinary Shares</b>		
Stephen T H Ng	1,265,005 (0.0629%)	Personal Interest
<b>Wheelock Finance Limited</b>		
– HKD Guaranteed Notes due 2017		
Ricky K Y Wong	HK\$5,000,000	Personal Interest
– USD Guaranteed Notes due 2018		
Ricky K Y Wong	US\$1,300,000	Personal Interest
– HKD Guaranteed Notes due 2022		
Nancy S L Tse	HK\$1,000,000	Personal Interest

Notes:

- (1) The interests in shares disclosed above do not include interests in share options of the Company and/or its subsidiary(ies) held by Directors of the Company as at 31 December 2013. Details of such interests in share options are separately set out below under Section (B)(II) "Interests in share options of the Company" and Section (B)(III) "Interests in share options of Wharf".
- (2) 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.
- (3) 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.
- (4) The shareholding interests stated above as "Personal Interest" and "Corporate Interest" against the name of Mr Peter K C Woo totalling 228,601,652 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.
- (5) The 995,221,678 shares of the Company as referred to under Note (2) above are entirely duplicated or included in the shareholding interest of HSBC Trustee (Guernsey) Limited stated under Section (C) "Substantial Shareholders' Interests" below.

### (II) Interests in share options of the Company

Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2013 by the Directors of the Company to subscribe for ordinary shares of the Company granted/exercisable under the share option scheme of the Company:

Name of Director	Date of grant (Day/Month/Year)	No. of Wheelock shares under option (percentage of issued capital)		Subscription price per share (HK\$)
		As at date of grant	As at 31 Dec 2013	
Douglas C K Woo	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98
Peter K C Woo	14/06/2013	2,000,000	2,000,000 (0.098%)	39.98
Stewart C K Leung	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98
Paul Y C Tsui	14/06/2013	1,500,000	1,500,000 (0.074%)	39.98
Ricky K Y Wong	14/06/2013	3,000,000	3,000,000 (0.148%)	39.98

Notes:

- (a) There was no outstanding share option of the Company held by any Director of the Company during the period from 1 January to 13 June 2013.
- (b) The share options of the Company outstanding as at both the date of grant and 31 December 2013 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 Wheelock's shares, and with the 1st, 2nd, 3rd, 4th and 5th tranche becoming exercisable from 15th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.
- (c) Except as disclosed above, no share option of the Company held by Directors of the Company lapsed or was exercised or cancelled during the financial year and no share option of the Company was granted to any Director of the Company during the financial year.

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### (III) Interests in share options of Wharf

There was in existence during the financial year a share option scheme of Wharf (the "Wharf's Scheme"). Set out below are particulars of all interests (all being personal interests) in options held during the financial year ended 31 December 2013 by the Directors of the Company to subscribe for ordinary shares of Wharf granted/exercisable under the Wharf's Scheme:

Name of Director	Total No. of Wharf shares under option held as at 31 December 2013 (percentage of issued capital)	Date of grant (Day/Month/Year)	No. of Wharf shares under option				Subscription price per share (HK\$)
			As at 1 January 2013	Granted during the year	Exercised during the year	As at 31 December 2013	
Douglas C K Woo	800,000 (0.026%)	04/07/2011	800,000	Nil	-	800,000	55.15
Peter K C Woo	3,500,000 (0.116%)	04/07/2011 05/06/2013	1,500,000 N/A	Nil 2,000,000	- -	1,500,000 2,000,000	55.15 70.20
Stephen T H Ng	3,500,000 (0.116%)	04/07/2011 05/06/2013	1,500,000 N/A	Nil 2,000,000	- -	1,500,000 2,000,000	55.15 70.20
Paul Y C Tsui	2,200,000 (0.073%)	04/07/2011 05/06/2013	1,500,000 N/A	Nil 1,000,000	(300,000) -	1,200,000 1,000,000	55.15 70.20
Ricky K Y Wong	800,000 (0.026%)	04/07/2011	800,000	Nil	-	800,000	55.15

Notes:

- The Wharf options granted on 4 July 2011 outstanding as at both 1 January 2013 and 31 December 2013 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf 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, with one exception. Such an exception is in respect of the relevant options outstanding as at 31 December 2013 held by Mr Paul Y C Tsui, which were/will be vested in four tranches within a period of 4 years, with each tranche covering one-fourth of the relevant Wharf options, i.e. exercisable to the extent of one-fourth of the relevant total number of Wharf's shares and with the 1st, 2nd, 3rd and 4th tranche becoming exercisable from the 5th of July in the years 2012, 2013, 2014 and 2015 respectively.
- The Wharf options granted on 5 June 2013 outstanding as at both the date of grant and 31 December 2013 were/will be vested in five tranches within a period of 5 years, with each tranche covering one-fifth of the relevant Wharf 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 6th of June in the years 2013, 2014, 2015, 2016 and 2017 respectively.
- The closing price of Wharf's shares immediately before the date(s) of exercise(s) (all exercised on the same day) of Wharf options by Mr Paul Y C Tsui during the year as abovementioned was HK\$75.50 per share.
- Except as disclosed above, no Wharf option held by Directors of the Company lapsed or was exercised or cancelled during the financial year and no Wharf option was granted to any Director of the Company during the financial year.

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 Transaction by Directors of Listed Issuers, there were no interests, both long and short positions, held as at 31 December 2013 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 2013, 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	995,221,678 (48.981%)

Note: Duplication occurred in respect of the shareholding interests under (i) and (ii) above, as separately set out in Notes (4) and (5) above under Section (B)(I) "Interest in shares & debt securities".

All the interests stated above represented long positions and as at 31 December 2013, there were no short position interests recorded in the Register.

### (D) SHARE OPTION SCHEMES

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

- 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.
- 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 joint venture(s) and subsidiary(ies) of associates and of joint ventures.
- Total number of ordinary shares of HK\$0.50 each in the capital of the Company (the "Share(s)") available for issue under the Company's Scheme as at the date of this annual report:  
190,684,928
  - Percentage of the issued share capital that it represents as at the date of this annual report:  
9.38%
- 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
- 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
- Minimum period for which an option must be held before it can be exercised:  
No minimum period unless otherwise determined by the Board
- Price payable on application or acceptance of the option:  
HK\$10.00
  - 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
  - The period within which loans for the purposes of the payments or calls must be repaid:  
Not applicable

## REPORT OF THE DIRECTORS

- (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:-
- 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;
  - 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;
  - 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
  - the nominal value of a Share.
- (i) The remaining life of the Company's Scheme:  
Approximately 7 years (expiring on 8 June 2021)

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

Set out below are particulars and movement(s), if any, during the financial year of all of outstanding share options of the Company which were granted to certain employees and/or directors (including 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:

No. of Wheelock shares under option				Vesting/Exercise Period (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
As at 1 January 2013	Granted on 14 June 2013	As at 31 December 2013			
N/A	2,500,000	2,500,000	15/06/2013 – 14/06/2018	39.98	
N/A	2,500,000	2,500,000	15/06/2014 – 14/06/2018	39.98	
N/A	2,500,000	2,500,000	15/06/2015 – 14/06/2018	39.98	
N/A	2,500,000	2,500,000	15/06/2016 – 14/06/2018	39.98	
N/A	2,500,000	2,500,000	15/06/2017 – 14/06/2018	39.98	
<b>Total:</b>	<b>N/A</b>	<b>12,500,000</b>	<b>12,500,000</b>		

Notes:

- The closing price of shares of the Company on the last trading day immediately before the abovementioned date of grant was HK\$38.90 per share.
- Except as disclosed above, no share option of the Company lapsed or was granted, exercised or cancelled during the financial year.

### (III) Details of options for shares of Wharf granted, etc.

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)(I)" above) in all material respects but that for (i) and (ii) under "Section (D)(I)(c)" above, the relevant number/percentage for the Wharf's Scheme are 277,574,732 and 9.16% respectively.

Set out below are particulars and movement(s), if any, during the financial year of all of Wharf's outstanding share options which were granted to certain employees and/or directors (including 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 of grant (Day/Month/Year)	No. of Wharf shares under option				Vesting/Exercise Period* (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
	As at 1 January 2013	Exercised during the year	Granted during the year	As at 31 December 2013		
(i) 04/07/2011:	2,420,000	(880,000)	-	1,540,000	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	(880,000)	-	11,220,000		
(ii) 05/06/2013:	N/A	-	2,650,000	2,650,000	06/06/2013 – 05/06/2018	70.20
	N/A	-	2,650,000	2,650,000	06/06/2014 – 05/06/2018	70.20
	N/A	-	2,650,000	2,650,000	06/06/2015 – 05/06/2018	70.20
	N/A	-	2,650,000	2,650,000	06/06/2016 – 05/06/2018	70.20
	N/A	-	2,650,000	2,650,000	06/06/2017 – 05/06/2018	70.20
	N/A	-	13,250,000	13,250,000		
<b>Total:</b>	<b>12,100,000</b>	<b>(880,000)</b>	<b>13,250,000</b>	<b>24,470,000</b>		

Notes:

- The closing price of Wharf's shares on the last trading day immediately before the share options granted on 5 June 2013 was HK\$71.00 per share.
- The weighted average closing price of Wharf's shares immediately before the date(s) of exercise(s) of the Wharf options during the year as abovementioned was HK\$72.35 per share.
- Except as disclosed above, no share option of Wharf lapsed or was granted, exercised or cancelled during the year.
- The Vesting/Exercise Periods stated above are respectively applicable to the relevant outstanding options as at the beginning of the year or, in the case of options granted during the year, the date of grant, and also at the end of the year.

### (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 employer's 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.

## REPORT OF THE DIRECTORS

### (F) MAJOR CUSTOMERS & SUPPLIERS

For the financial year ended 31 December 2013:

- (a) 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 46% of the Group's total purchases;
- (b) the largest supplier accounted for 28% of the Group's total purchases;
- (c) none of the Directors of the Company or their associates holds, nor does any Shareholder owning (to the knowledge of the Directors) more than 5% of the Company's equity capital hold, any interests in any of the Group's five largest suppliers; and
- (d) 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 2013 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 86 to 88.

### (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 2013.

### (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 and 19 December 2013 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 fixed term of three years commencing on 1 January 2012 and expiring on 31 December 2014. The MTA is for the purpose of, *inter alia*, regulating various continuing connected transactions in respect of the leasing of premises owned by members of Wharf group to the Eligible Tenants during the said three-year term and providing for the aggregate annual cap amount of rentals in relation thereto.

As WGL is indirectly wholly-owned by a trust, the settlor of which is the Senior Director 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 annual aggregate amount of rental under the MTA, which is subject to the relevant aggregate annual cap amount previously disclosed in the abovementioned announcement dated 30 December 2011, receivable by Wharf group from WGL group for the financial year ended 31 December 2013 amounted to HK\$788 million.

#### (II) Hangzhou Land Joint Venture between Wharf and CMP

On 18 December 2013, a wholly-owned subsidiary of Wharf and a wholly-owned subsidiary of China Merchants Property Development Co., Ltd. ("CMP") entered into a joint venture agreement (the "JV Agreement"), for the purpose of joint development of a piece of land in Hangzhou with a total site area of approximately 40,000 square metres (the "Hangzhou Land") through a project company on a 50:50 ownership basis. The purpose of the relevant transaction is for broadening the assets and earning base of the Group.

Pursuant to the terms of the JV Agreement, the Wharf group acquired 50% interest in the Hangzhou Land by contributing to the project company an amount in cash of RMB881.5 million (equal to about HK\$1,118.36 million), representing 50% of the purchase price paid/payable by the CMP group for acquiring the land use rights of the Hangzhou Land. The Hangzhou Land was acquired by the CMP group via a government land auction in Hangzhou in the PRC on 12 September 2013 at a price of RMB1,763 million (equal to about HK\$2,236.72 million). Upon completion of the contribution by the Wharf group, the project company became owned as to 50% by each of the Wharf group and the CMP group for the purpose of, *inter alia*, the development of the Hangzhou Land.

The ultimate holding company of CMP is also the holding company of a substantial shareholder of a non wholly-owned subsidiary of Wharf. Consequently, CMP together with its subsidiaries are regarded as connected persons of the Company within the meaning of the Listing Rules. Therefore, the entering into of the JV Agreement together with the relevant transactions contemplated thereunder constituted a connected transaction for the Company under the Listing Rules.

(III) With regard to the Related Party Transactions as disclosed under Note 31 to the Financial Statements on page 102, the transactions stated under paragraph "(a)" therein constitute connected transactions (as defined under the Listing Rules) of the Company and the one under paragraph "(b)" does not constitute a connected transaction for the Company.

#### (IV) 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 2013; 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.