

DIRECTORS' REPORT

We are pleased to submit this report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2011.

DIRECTORS

The directors in office at the date of this report are as follows:

Kwek Leng Beng	(Executive Chairman)
Kwek Leng Joo	(Managing Director)
Chee Keng Soon	
Foo See Juan	
Kwek Leng Peck	
Han Vo-Ta	
Tang See Chim	
Yeo Liat Kok Philip	
Tan Poay Seng	(Appointed on 2 February 2012)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangements whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants and/or debentures of the Company, or of related corporations, either at the beginning or at the end of the financial year. The directors of the Company consider Hong Leong Investment Holdings Pte. Ltd. to be the immediate and ultimate holding company of the Company.

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50, particulars of interests of directors who held office at the end of the financial year (including those of their spouses and infant children) in shares and/or share options in the Company and in related corporations are as follows:

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	At end of the year
The Company		
Ordinary Shares		
Kwek Leng Beng	397,226	397,226
Kwek Leng Joo	65,461	65,461
Kwek Leng Peck	43,758	43,758
Tang See Chim	11,000	11,000
Preference Shares		
Kwek Leng Beng	144,445	144,445
Kwek Leng Joo	100,000	100,000
Tang See Chim	4,000	4,000
Immediate and Ultimate Holding Company		
Hong Leong Investment Holdings Pte. Ltd.		
Ordinary Shares		
Kwek Leng Beng	2,320	2,320
Kwek Leng Joo	1,290	1,290
Kwek Leng Peck	10,921	10,921
Subsidiaries		
City e-Solutions Limited		
Ordinary Shares of HK\$1 each		
Kwek Leng Beng	3,286,980	3,286,980
Kwek Leng Joo	1,436,000	1,436,000
Kwek Leng Peck	2,082,200	2,082,200
Foo See Juan	8,363	8,363

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	At end of the year
Subsidiaries (cont'd)		
Millennium & Copthorne Hotels New Zealand Limited		
Ordinary Shares		
Kwek Leng Beng	3,000,000	3,000,000
Related Corporations		
Hong Leong Finance Limited		
Ordinary Shares		
Kwek Leng Beng	4,603,567	4,603,567
Kwek Leng Joo	703,610	703,610
Kwek Leng Peck	517,359	517,359
Foo See Juan	30,000	30,000
Options to subscribe for the following number of ordinary shares under the Hong Leong Finance Share Option Scheme 2001		
Kwek Leng Beng	3,560,000	3,920,000
Hong Leong Holdings Limited		
Ordinary Shares		
Kwek Leng Beng	259,000	259,000
Kwek Leng Joo	210,000	210,000
Kwek Leng Peck	381,428	381,428
Hong Leong Asia Ltd.		
Ordinary Shares		
Kwek Leng Beng	660,000	660,000
Kwek Leng Peck	1,430,000	1,680,000
Foo See Juan	40,000	40,000

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN SHARES OR DEBENTURES (CONT'D)

	Holdings in which the director, his spouse and infant children have a direct interest	
	At beginning of the year	At end of the year

Related Corporations (cont'd)

Hong Leong Asia Ltd. (cont'd)

Options to subscribe for the following number of ordinary shares under the Hong Leong Asia Share Option Scheme 2000

Kwek Leng Peck	420,000	470,000
----------------	---------	---------

Hong Realty (Private) Limited Ordinary Shares

Kwek Leng Beng	1,110	1,110
Kwek Leng Joo	510	510
Kwek Leng Peck	150	150

Euroform (S) Pte. Limited Ordinary Shares

Kwek Leng Joo	50,000	50,000
---------------	--------	--------

Sun Yuan Holdings Pte Ltd Ordinary Shares

Kwek Leng Beng	15,000,000	15,000,000
----------------	------------	------------

	Other holdings in which the director is deemed to have an interest	
	At beginning of the year	At end of the year

Immediate and Ultimate Holding Company

Hong Leong Investment Holdings Pte. Ltd. Ordinary Shares

Kwek Leng Beng	40,744	40,744
----------------	--------	--------

The directors' interests in the Company as disclosed above remained unchanged as at 21 January 2012.

DIRECTORS' REPORT

DIRECTORS' INTERESTS IN CONTRACTS

During the financial year, the Company and/or its related corporations have in the normal course of business entered into transactions with directors and/or their affiliated parties, being related parties and parties in which some of the directors are deemed to have an interest, with the directors having disclosed their interests in such transactions pursuant to Section 156 of the Companies Act, Chapter 50. Such transactions may comprise loans, deposits, provision of nominee and corporate advisory services, foreign exchange transactions, insurance transactions, property-related transactions, construction-related transactions, industrial-related transactions, consumer-related transactions, investing in real estate used for hospitality and/or hospitality-related purposes, purchase/sale of investments, property, industrial and consumer biodegradable and non-biodegradable products, goods including vehicles, parts and accessories and provision and receipt of after-sales services, hotel-related transactions, procurement services, information technology services, e-commerce-related transactions, management and consultancy services and/or other transactions carried out on normal commercial terms and in the normal course of business of the Company and/or its related corporations.

However, the directors have neither received nor become entitled to receive any benefit arising out of these transactions other than those to which they may be entitled as customers, suppliers, directors and members of these corporations.

Except as disclosed above and in the accompanying financial statements, and except for remuneration and professional fees received from the related corporations, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company and/or its related corporations with the director, or with a firm of which he is a member or with a company in which he has a substantial financial interest.

78

SHARE OPTIONS

By the Company

The City Developments Share Option Scheme 2001, which was approved by shareholders of the Company on 30 January 2001, lapsed on 30 January 2011.

By Subsidiaries

Millennium & Copthorne Hotels plc (M&C)

The following share option schemes of M&C continue to be in operation:

- (i) Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme;
- (ii) Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006; and
- (iii) Millennium & Copthorne Hotels 2006 Long Term Incentive Plan.

(i) Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme

- (a) The Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (M&C 2003 Scheme) was approved by the shareholders at the Annual General Meeting of M&C held on 21 May 2002. There are 2 parts of the M&C 2003 Scheme, namely the "Approved" part for which approval from the United Kingdom Inland Revenue has been obtained, and the "Unapproved" part which is not designed for the United Kingdom Inland Revenue approval and which is used primarily where employees have more than £30,000 worth of outstanding approved options or are not based in the United Kingdom. Except to the extent required to obtain the United Kingdom Inland Revenue approval, the Approved and Unapproved parts of the M&C 2003 Scheme are in all material aspects identical. The operation of the M&C 2003 Scheme is supervised by M&C's Remuneration Committee comprising Alexander Waugh (Chairman), Christopher Keljik, His Excellency Shaukat Aziz and Nicholas George.

DIRECTORS' REPORT

SHARE OPTIONS (CONT'D)

By Subsidiaries (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

- (i) *Millennium & Copthorne Hotels plc 2003 Executive Share Option Scheme (cont'd)*
- (b) Under the terms of the M&C 2003 Scheme,
- (i) All employees of M&C, its subsidiaries and joint ventures (including directors who are required to devote substantially the whole of their working time to the business of the M&C Group who are not within 6 months of contractual retirement ages) will be eligible to participate in the M&C 2003 Scheme.
- (ii) No option may be granted to an individual if it would cause the aggregate exercise price of options granted to him in any year under the M&C 2003 Scheme to exceed 200% of his basic salary, other than in exceptional circumstances (where the limit is 400% of basic salary).
- (iii) No payment will be required for the grant of an option. Acquisition price upon the exercise of an option will not be less than the higher of:
- the average of the middle-market quotations of a share on the London Stock Exchange on the 3 dealing days immediately prior to grant date, provided that no such dealing day may fall prior to the date on which M&C last announced its results for any period; and
 - the nominal value of a share (unless the option is expressed to relate only to existing shares).
- (c) No options may be granted which would cause the number of shares issued or issuable pursuant to options granted in the previous 10 years under the M&C 2003 Scheme or under any other share option scheme, or issued in that period under any employee share scheme (other than an option scheme) to exceed 10% of M&C's issued ordinary share capital from time to time. Not more than 5% of M&C's issued ordinary share capital from time to time may relate to discretionary share schemes.
- (d) During the financial year under review, (i) no options were granted to subscribe for ordinary shares of £0.30 each in M&C; and (ii) 274,936 ordinary shares of £0.30 each in M&C were issued following the exercise of the subscription rights set out in the M&C 2003 Scheme.

As at the end of the financial year, there were 114,905 unissued shares under options pursuant to the M&C 2003 Scheme. Details of the options to subscribe for ordinary shares of £0.30 each in M&C are set out below:

Date granted	Balance at beginning of year	Exercised during the year	Cancelled/Lapsed/Forfeited during the year	Balance at end of year	Exercise price per share £	Exercise period
Part I (Approved)						
10.03.2003	10,708	(3,000)	–	7,708	1.9350	10.03.2006 – 09.03.2013
16.03.2004	10,285	–	–	10,285	2.9167	16.03.2007 – 15.03.2014
24.03.2005	15,058	(7,529)	–	7,529	3.9842	24.03.2008 – 23.03.2015
Part II (Unapproved)						
10.03.2003	124,031	(124,031)	–	–	1.9350	10.03.2006 – 09.03.2013
16.03.2004	54,414	(44,999)	–	9,415	2.9167	16.03.2007 – 15.03.2014
24.03.2005	175,345	(95,377)	–	79,968	3.9842	24.03.2008 – 23.03.2015
	389,841	(274,936)	–	114,905		

DIRECTORS' REPORT

SHARE OPTIONS (CONT'D)

By Subsidiaries (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(ii) *Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006*

- (a) The Millennium & Copthorne Hotels Sharesave Schemes 1996 and 2006 (M&C Sharesave Schemes) are the United Kingdom Inland Revenue approved schemes under which the executive directors of M&C and the M&C Group employees are eligible to participate.
- (b) Under the terms of the M&C Sharesave Schemes, M&C Group employees were to enter into a 3-year or 5-year savings contract, with an option to purchase shares at a pre-determined exercise price on maturity of the savings contract. The first such scheme was introduced in 1996 with a life of ten years. A replacement scheme was approved by the shareholders at M&C's Annual General Meeting on 4 May 2006.
- (c) No payment is required for the grant of an option.
- (d) The options may be exercised upon maturity provided that the monies agreed under the savings contract are fully paid and the participant continues to hold office or employment with M&C. The M&C Sharesave Schemes provide that shares in M&C can be purchased at the option price up to the value of the accrued savings and interests in the event of retirement at normal retirement age, redundancy, injury, disability or by the employees' estate in the event of their death.
- (e) M&C may grant options up to the value of a savings contract at maturity. Participants cannot enter into contracts where their savings, in aggregate, would exceed £250 per month.
- (f) During the financial year under review, (i) 46,531 options were granted to subscribe for ordinary shares of £0.30 each in M&C; and (ii) 47,970 ordinary shares of £0.30 each in M&C were issued following the exercise of the subscription rights set out in the M&C Sharesave Schemes.

As at the end of the financial year, there were 279,840 unissued shares under options pursuant to the M&C Sharesave Schemes. Details of the options to subscribe for ordinary shares of £0.30 each in M&C are set out below:

Date granted	Balance at beginning of year	Granted during the year	Exercised during the year	Cancelled/Lapsed/Forfeited during the year	Balance at end of year	Exercise price per share £	Exercise period
23.03.2005	5,579	–	–	(5,579)	–	3.0800	01.07.2010 – 31.12.2010
19.06.2006	19,213	–	(18,388)	(33)	792	3.2500	01.08.2011 – 31.01.2012
26.03.2007	7,877	–	–	(7,877)	–	5.2000	01.07.2010 – 31.12.2010
26.03.2007	6,798	–	–	(629)	6,169	5.2000	01.07.2012 – 31.12.2012
20.03.2008	29,604	–	(22,037)	(2,535)	5,032	3.2800	01.07.2011 – 31.12.2011
20.03.2008	5,529	–	(589)	(435)	4,505	3.2800	01.07.2013 – 31.12.2013
01.04.2009	172,626	–	(5,570)	(19,142)	147,914	1.5400	01.08.2012 – 31.01.2013
01.04.2009	51,415	–	(1,096)	(7,845)	42,474	1.5400	01.08.2014 – 31.01.2015
01.04.2010	35,970	–	(181)	(11,259)	24,530	3.3000	01.08.2013 – 31.01.2014
01.04.2010	8,571	–	(109)	(4,412)	4,050	3.3000	01.08.2015 – 31.01.2016
19.04.2011	–	37,411	–	(2,157)	35,254	4.1800	01.08.2014 – 31.01.2015
19.04.2011	–	9,120	–	–	9,120	4.1800	01.08.2016 – 31.01.2017
	343,182	46,531	(47,970)	(61,903)	279,840		

DIRECTORS' REPORT

SHARE OPTIONS (CONT'D)

By Subsidiaries (cont'd)

Millennium & Copthorne Hotels plc (M&C) (cont'd)

(iii) *Millennium & Copthorne Hotels 2006 Long Term Incentive Plan*

The Millennium & Copthorne Hotels 2006 Long Term Incentive Plan (LTIP) was approved at M&C's Annual General Meeting held on 4 May 2006. Under the terms of the LTIP, M&C is permitted to make both Performance Share Awards and Deferred Share Bonus Awards to an employee (including an executive director) of M&C or its subsidiaries. The level of awards made under the terms of the LTIP are determined by M&C's Remuneration Committee.

Vesting of Performance Share Awards is subject to the achievement of stretching performance targets. For awards made in 2006 to 2010, earnings per share (EPS) targets were chosen so that participants are incentivised to deliver significant earnings growth.

In 2011, the Remuneration Committee amended the performance conditions so that half of the awards are subject to EPS growth targets and half are subject to Total Shareholder Return (TSR) targets. The revised performance targets are designed to incentivise management to deliver significant earnings growth and align the interests of management with shareholders.

The performance condition applying to Performance Share Awards require M&C's EPS to grow, in real terms, over a period of three consecutive financial years after award. Performance Share Awards will vest on the third anniversary of the award being made, subject to the EPS growth targets being met. TSR targets measure M&C relative TSR performance over a three-year period against a comparator group comprising companies in the FTSE 250 index participating companies (excluding investment trusts). Awards will not be subject to re-testing.

During the financial year under review, Performance Share Awards were made over 941,126 ordinary shares of £0.30 each in M&C. Details of the Performance Share Awards are set out below:

Date of award	Balance at beginning of year	Awards made during the year	Awards vested during the year	Awards forfeited during the year	Balance at end of year	Vesting date
25.06.2008	507,586	–	–	(507,586)	–	25.06.2011
30.03.2009	1,208,807	–	–	(133,061)	1,075,746	30.03.2012
16.09.2010	655,042	–	(1,452)	(135,825)	517,765	16.09.2013
28.11.2011	–	941,126	–	–	941,126	28.11.2014
	<u>2,371,435</u>	<u>941,126</u>	<u>(1,452)</u>	<u>(776,472)</u>	<u>2,534,637</u>	

City e-Solutions Limited (CES)

- (a) The City e-Solutions Limited Share Option Scheme (CES Scheme) which was adopted by the shareholders of CES at the Annual General Meeting of CES held on 27 April 2005, is administered by a scheme committee to be set up (CES Scheme Committee).
- (b) The subscription price of the CES shares under the CES Scheme shall be a price determined by the CES Scheme Committee at its absolute discretion which may require the achievement of performance targets by the Grantee as specified by the CES Scheme Committee. The subscription price shall not be less than the highest of:
- the official closing price of the CES shares as stated in the daily quotations sheets of the Hong Kong Stock Exchange on the Offer Date;
 - the average of the official closing price of the CES shares as stated in the daily quotations sheets of the Hong Kong Stock Exchange for the five business days immediately preceding the Offer Date; and
 - the nominal value of a CES share.

DIRECTORS' REPORT

SHARE OPTIONS (CONT'D)

City e-Solutions Limited (CES) (cont'd)

- (c) During the financial year under review, (i) no options were granted to subscribe for ordinary shares of HK\$1.00 each in CES; and (ii) no ordinary shares of HK\$1.00 each in CES were issued pursuant to the CES Scheme.

As at the end of the financial year, there were no unissued shares under options pursuant to the CES Scheme.

The options granted by the subsidiaries of the Company, namely, M&C and CES, do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

AUDIT COMMITTEE

The Audit Committee comprises 4 non-executive members of the Board, all of whom are independent. The members of the Audit Committee at the date of this report are:

Chee Keng Soon (Chairman)
Foo See Juan
Han Vo-Ta
Tang See Chim

The Audit Committee met 8 times during the financial year ended 31 December 2011 and performed the functions set out in Section 201B(5) of the Companies Act, Chapter 50. In performing its functions, the Audit Committee reviewed the overall scope of both internal and external audits and the assistance given by the Company's officers to the auditors. It met with the Company's internal and external auditors to discuss the results of their respective examinations and their evaluation of the Group's system of internal controls. The Audit Committee also reviewed the consolidated financial statements and the financial statements of the Company for the financial year ended 31 December 2011 as well as the auditors' report thereon.

The Audit Committee has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

AUDITORS

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kwek Leng Beng
Executive Chairman

Kwek Leng Joo
Managing Director

Singapore
12 March 2012