

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Statement of Accounts for the financial year ended December 31, 2005.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 146 to 149.

During the financial year, more than 90% of the trading operations of the Company and its subsidiaries in terms of both turnover and operating profit were carried on in Hong Kong. An analysis of the principal activities of the trading operations of the Company and its subsidiaries during the financial year is set out in Note 1 to the Accounts on pages 85 to 87.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the financial year ended December 31, 2005 are set out in the Consolidated Profit and Loss Account on page 78.

Movements in reserves during the financial year are set out in Note 23 to the Accounts on pages 113 to 115.

DIVIDENDS

An interim dividend of 36 cents per share was paid on October 20, 2005. The Directors now recommended for adoption at the Annual General Meeting to be held on Monday, May 29, 2006 the payment on June 6, 2006 to Shareholders on record as at May 29, 2006 of a final dividend of 44 cents per share in respect of the financial year ended December 31, 2005. This recommendation has been disclosed in the Accounts.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 12 to the Accounts on pages 103 to 106.

DONATIONS

The Group made donations during the financial year totalling HK\$6.8 million.

DIRECTORS

The Directors of the Company during the financial year were Messrs P K C Woo, G W J Li, S T H Ng, D J Lawrence (resigned on January 27, 2005), P M P Chan, P M F Cheng (resigned on March 31, 2005), E B Christensen, H M Jebsen, C P Langley (retired on May 18, 2005), Q Y K Law (resigned on November 1, 2005), T Y Ng, J E Thompson, Professor E K Y Chen, Dr R K F Ch'ien and Hon V K Fang and Ms D Y F Lee.

Messrs P K C Woo, S T H Ng, E B Christensen and H M Jebsen and Ms D Y F Lee are due to retire from the Board at the forthcoming Annual General Meeting. Mr E B Christensen has decided not to stand for re-election. The other retiring Directors, being eligible, offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

No contract of significance in relation to the Company's business to which the Company or any of its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the financial year or at any time during the 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 of the options to subscribe for ordinary shares of the Company and i-CABLE previously granted under the Company's Scheme and i-CABLE's Share Option Scheme (the "i-CABLE's Scheme") to, *inter alia*, certain executives of the Company or its subsidiaries and certain employees of i-CABLE or its subsidiaries respectively, some of whom were Directors of the Company during the financial year.

Under the rules of the two schemes (subject to any such restrictions or alterations as may be prescribed or provided under the Listing Rules of the Stock Exchange from time to time in force), shares of the Company and i-CABLE would be issued at such prices, not being less than 90% and 80% respectively of the Company's and i-CABLE's average closing prices on the Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant, as determined by the boards of directors of the Company and i-CABLE respectively. During the financial year, no share of the Company or i-CABLE was issued to any Director of the Company under the Company's Scheme or the i-CABLE's Scheme.

AUDITORS

The Accounts 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, March 15, 2006

Report of the Directors *(continued)*

SUPPLEMENTARY CORPORATE INFORMATION

(A) BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGERS

(I) Directors

Peter K C Woo, GBS, JP, Chairman (Age: 59)

Mr Woo has resumed the role of Chairman since 2002 after having formerly served as Chairman of the Company from 1986 to 1994. He also serves as the Chairman of the Company's Remuneration Committee. He is also the chairman of Wheelock and Company Limited ("Wheelock").

Mr Woo was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments. He has been the Government-appointed chairman of the Hong Kong Trade Development Council since October 2000 and had served as the chairman of Hospital Authority from 1995 to 2000 and the council chairman of Hong Kong Polytechnic University from 1993 to 1997. He is currently 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 the USA, Australia and Hong Kong.

Gonzaga W J Li, Senior Deputy Chairman (Age: 76)

Mr Li joined Wharf in 1980 as a Director and was appointed as the general manager in 1982. He became Deputy Chairman and Managing Director in 1989, appointed Chief Executive in 1992 and became Chairman in 1994. He relinquished the title of Chairman and Chief Executive and assumed the title of Senior Deputy Chairman of the Company since 2002. He is also the senior deputy chairman of Wheelock and the chairman of Harbour Centre Development Limited ("HCDL"), Wheelock Properties Limited ("WPL") and Wheelock Properties (Singapore) Limited ("WPSL") in Singapore, the chief executive officer and a director of Wharf China Limited and also the chairman of Modern Terminals Limited ("Modern Terminals"). He is also a director of Joyce Boutique Holdings Limited ("Joyce").

Stephen T H Ng, Deputy Chairman and Managing Director (Age: 53)

Mr Ng joined Wharf in 1981 and became Managing Director in 1989. He has been a director, deputy chairman, president and chief executive officer of i-CABLE Communications Limited since 1999 and became its chairman since 2001. He is also the deputy chairman of Wheelock, a director of Joyce and the chairman, president and chief executive officer of Wharf T&T Limited. He serves as a member of the General Committee of The Hong Kong General Chamber of Commerce.

Paul M P Chan, Director (Age: 50)

Mr Chan was appointed an independent Non-executive Director of the Company in September 2004. He also serves as a member of the Company's Audit Committee. He is the managing partner of Paul Chan & Partners, Certified Public Accountants (Practising). He is also an independent non-executive director of publicly listed I.T Limited, China Resources Cement Holdings Limited, Kingmaker Footwear Holdings Limited and Hong Kong Economic Times Holdings Limited.

Mr Chan is a graduate of The Chinese University of Hong Kong where he obtained both his bachelor's and master's degrees in Business Administration. Mr Chan is a Practising Certified Public Accountant in Hong Kong and a fellow member of the Association of Chartered Certified Accountants ("ACCA"), the Hong Kong Institute of Certified Public Accountants ("HKICPA"), the Society of Chinese Accountants and Auditors, the Institute of Chartered Secretaries and Administrators, the Taxation Institute of Hong Kong, the Hong Kong Institute of Company Secretaries, and a member of the Macau Society of Certified Practising Accountants.

Mr Chan has over 28 years' experience in accounting and finance field and is currently the president of the HKICPA. He had been a former chairman of the ACCA - Hong Kong and a former member of the World Council of the ACCA in the United Kingdom.

Edward K Y Chen, GBS, CBE, JP, Director (Age: 61)

Professor Chen has been an independent Non-executive Director of the Company since 2002. He is currently the president of Lingnan University in Hong Kong. He is also an honorary professor and a distinguished fellow of the Centre of Asian Studies at the University of Hong Kong, an honorary professor of Shantou University, and a visiting professor of Jinan University. He was a member of the Legislative Council of Hong Kong in 1991 and 1992, and a member of the Executive Council of Hong Kong from 1992 to 1997. He was also a member of the Hong Kong SAR Basic Law Consultative Committee from 1985 to 1990. He is a director of First Pacific Company Limited, China Resources Peoples Telephone Company Limited and Asia Satellite Telecommunications Holdings Limited and a trustee of Eaton Vance Management Funds. He is currently chairman of the Hong Kong Committee for Pacific Economic Cooperation.

Professor Chen was educated at The University of Hong Kong (Bachelor of Arts and Master of Social Science) and Oxford University (Doctor of Philosophy). He was appointed a Justice of the Peace in 1993 and awarded a CBE in 1995. In 2003, he was awarded the Gold Bauhinia Star Medal by the Hong Kong SAR Government.

Raymond K F Ch'ien, GBS, CBE, JP, Director (Age: 54)

Dr Ch'ien has been an independent Non-executive Director of the Company since 2002. He is the chairman of CDC Corporation, chairman of its subsidiary, China.com Inc, and chairman of MTR Corporation Limited. Dr Ch'ien serves on the boards of HSBC Holdings plc, The Hongkong and Shanghai Banking Corporation Limited, Inchcape plc, Convenience Retail Asia Limited and VTech Holdings Limited.

In public service, Dr Ch'ien is chairman of the Advisory Committee on Corruption of the Independent Commission Against Corruption; chairman of the Hong Kong/European Union Business Cooperation Committee and is a Hong Kong member of the APEC Business Advisory Council. Dr Ch'ien is an honorary president and past chairman of the Federation of Hong Kong Industries. From 1992 to 1997, Dr Ch'ien was a member of the Executive Council of Hong Kong, then under British administration. He was appointed a member of the Executive Council of the Hong Kong SAR on July 1, 1997 and served until June 2002. He also served as chairman of Industry and Technology Development Council from 1993 to 1999.

Dr Ch'ien received a doctoral degree in Economics from the University of Pennsylvania in 1978. He was appointed a Justice of the Peace in 1993 and a Commander in the Most Excellent Order of the British Empire in 1994. In 1999, he was awarded the Gold Bauhinia Star Medal.

Erik B Christensen, Director (Age: 58)

Mr Christensen has been a Director of the Company since 2003. He was formerly the managing director of Modern Terminals, a 67.6%-owned subsidiary of the Company, being one of the world's most efficient container terminal operators. He formerly joined The East Asiatic Company Limited ("EAC") in Denmark as a management trainee in 1965. Between 1970 and 1990, he spent eight years in China and 12 years in Hong Kong - from 1983 as the managing director and chief executive officer for the EAC's group activities in China and Hong Kong. In 1990, Mr Christensen returned to Copenhagen, and in 1995 he became a member of the EAC's group management board.

Hon Vincent K Fang, JP, Director (Age: 62)

Mr Fang has been an independent Non-executive Director of the Company since 1993. He also serves as a member and chairman of the Company's Audit Committee. He is the chief executive officer of Toppo Company (Hong Kong) Limited and managing director of Fantastic Garments Limited.

He currently serves as a member of Legislative Council representing Wholesale and Retail in Functional Constituency. He is a member of the Hospital Authority and Hong Kong Tourism Board. He is also a member of the Operations Review Committee of the Independent Commission Against Corruption and a board member of the Airport Authority. He is the chairman of Hospital Governing Committee of Princess Margaret Hospital and Kwai Chung Hospital and the Quality Tourism Services Association. He is an honorary advisor of Hong Kong Retail Management Association and a director of The Federation of Hong Kong Garment Manufacturers. He is also a Justice of the Peace. Mr Fang is a graduate of North Carolina State University where he obtained both his bachelor's and master's degrees in Science of Textiles Engineering.

Hans Michael Jebsen, BBS, Director (Age: 49)

Mr Jebsen has been an independent Non-executive Director of the Company since 2001. He also serves as a member of the Company's Audit Committee and Remuneration Committee. He is the chairman of Jebsen and Company Limited and also a non-executive director of Hysan Development Company Limited as well as a Board Member of Danfoss A/S, Denmark. He currently holds a number of public offices, namely, the vice-president and a trustee of World Wide Fund for Nature Hong Kong, the chairman of the Friend's Committee of the Asian Cultural Council Hong Kong, a Board Member of the Asian Cultural Council Board of Trustees, affiliate of the Rockefeller Brothers Fund, New York, an honorary fellow and an appointed court member of the Hong Kong University of Science and Technology, as well as a member of the Council for Sustainable Development, Hong Kong European Union Business Co-operation Committee of the Hong Kong Trade Development Council, Advisory Council of Asia Society Hong Kong Center, Asian Cultural Council Board of Trustees and Advisory Board of the Hong Kong Red Cross. He also is an Honorary Citizen and Municipal Economic Advisor as well as a Committee Member of the CPPCC Jilin City, China.

After schooling in Germany and Denmark, he received a two-year banking education in Germany and the UK and studied Business Administration at the University of St. Gallen in Switzerland from 1978 to 1981.

Mr Jebsen was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government in 2001.

Doreen Y F Lee, Director (Age: 49)

Ms Lee joined the Company in 1984 and has been a Director of the Company since 2003. She was appointed as the managing director of Wharf Estates Limited and Wharf Estates China Limited in 2005. She is also an executive director of Harbour City Estates Limited and Times Square Limited. She is responsible for overseeing the investment properties of the Group, particularly, two core properties of the Group, namely, Harbour City and Times Square and also the Group's Times Squares in Beijing, Shanghai, Chongqing and Dalian. Ms Lee is a graduate of The University of Hong Kong where she obtained her bachelor's degree in Arts (Hon).

T Y Ng, Director (Age: 58)

Mr Ng joined the Company in 1985 and has been a Director of the Company since 1998. He is also a director of HCDL, Joyce, WPL and WPSL in Singapore. He is an associate member of both the Hong Kong Institute of Certified Public Accountants and the Chartered Institute of Management Accountants.

James E Thompson, GBS, Director (Age: 66)

Mr Thompson has been an independent Non-executive Director of the Company since 2001. He also serves as a member of the Company's Audit Committee and Remuneration Committee. He established his company, Crown Worldwide, in Japan in 1965. He is the member of the American Chamber of Commerce in Hong Kong ("ACC") and was appointed as the chairman of ACC in 2003. He also serves on Hong Kong - United States Business Council, the Hong Kong Japan Business Co-operation Committee, and the Hong Kong Korea Business Roundtable. Mr Thompson has lived in Hong Kong for 28 years and has served on the Trade Development Council, the ICAC Advisory Committee as well as other government and charitable committees. He was awarded the Gold Bauhinia Star by the Hong Kong SAR Government in 2003.

Notes: (1) Wheelock, WF Investment Partners Limited, Wheelock Corporate Services Limited, WPL and Star Attraction Limited (of which Mr P K C Woo, Mr G W J Li, Mr S T H Ng and/or Mr T Y Ng is/are director(s)) have interests in the share capital of the Company discloseable to the Company under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance (the "SFO").

(2) The Company confirms that it has received written confirmation from each of the independent Non-executive Directors confirming their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), and the Company still considers the independent Non-executive Directors to be independent.

(II) Senior Management

Various businesses of the Group are respectively under the direct responsibility of the Chairman, the Senior Deputy Chairman, and the Deputy Chairman and Managing Director of the Company, as named under (A) (I) above. Only those three Directors are regarded as members of the Group's senior management.

(B) DIRECTORS' INTERESTS IN SHARES

- (I) At December 31, 2005, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company and of two subsidiaries of the Company, namely, i-CABLE and Modern Terminals, and the percentages which the shares represented to the issued share capitals of the Company, i-CABLE and Modern Terminals respectively are also set out below:

	No. of Ordinary Shares (Percentage of Issued Capital)	Nature of Interest
The Company		
Mr Gonzaga W J Li	686,549 (0.0281%)	Personal interest
Mr Stephen T H Ng	650,057 (0.0266%)	Personal interest
Mr T Y Ng	178,016 (0.0073%)	Personal interest
i-CABLE		
Mr Gonzaga W J Li	68,654 (0.0034%)	Personal interest
Mr Stephen T H Ng	1,065,005 (0.0527%)	Personal interest
Mr Erik B Christensen	2,500 (0.0001%)	Personal interest
Mr T Y Ng	17,801 (0.0009%)	Personal interest
Modern Terminals		
Mr Hans Michael Jebsen	3,787 (5.40%)	Corporate interest

Note: The 3,787 shares regarding "Corporate Interest" in which Mr Hans Michael Jebsen was taken to be interested as stated above was the interests held by corporations in general meetings of which Mr Jebsen was either entitled to exercise (or was 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.

- (II) Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted under the Share Option Scheme of the Company held by Directors of the Company during the financial year (no movement in such options recorded during the year):

Name of Director	Date granted (Day/Month/Year)	No. of ordinary shares represented by unexercised options outstanding throughout the year	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)	Consideration paid for the options granted (HK\$)
Ms Doreen Y F Lee	01/03/2003	40,000	01/08/2005 to 31/07/2006	25.00	1.00

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 pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

- (i) there were no interests, both long and short positions, held as at December 31, 2005 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); and
- (ii) there existed during the financial year no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

(C) SUBSTANTIAL SHAREHOLDERS' INTERESTS

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at December 31, 2005, 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)	Lynchpin Limited	171,974,029	(7.03%)
(ii)	Star Attraction Limited	171,974,029	(7.03%)
(iii)	Wheelock Properties Limited	173,652,029	(7.10%)
(iv)	Myers Investments Limited	173,652,029	(7.10%)
(v)	Wheelock Corporate Services Limited	173,652,029	(7.10%)
(vi)	WF Investment Partners Limited	1,051,765,051	(42.97%)
(vii)	Wheelock and Company Limited	1,222,896,080	(49.97%)
(viii)	HSBC Trustee (Guernsey) Limited	1,222,896,080	(49.97%)
(ix)	J.P. Morgan Chase & Co.	146,448,525	(5.98%)

Note: For the avoidance of doubt and double counting, it should be noted that duplication occurs in respect of the shareholdings stated against parties (i) to (viii) above to the extent that the shareholding stated against party (i) above was entirely duplicated or included in that against party (ii) above, with the same duplication of the shareholdings in respect of (ii) in (iii), (iii) in (iv), (iv) in (v), (v) in (vi), (vi) in (vii) and (vii) in (viii).

All the interests stated above represented long positions and as at December 31, 2005, there were no short positions recorded in the Register.

(D) EXECUTIVE SHARE INCENTIVE SCHEME OF THE COMPANY

(I) Summary of the Scheme

- (a) *Purpose of the Scheme:*

To give executives of the Group the opportunity of acquiring an equity participation in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Company's continued growth and success.

- (b) *Participants of the Scheme:*

Any employee of the Company or any of its subsidiaries holding an executive, managerial, supervisory or similar position, including a Director of the Company or any of its subsidiaries holding executive office, who accepts the offer of the grant of an option in accordance with the terms of the Scheme.

- (c)
 - (i) *Total number of ordinary shares of HK\$1.00 each in the capital of the Company (the "Shares") available for issue under the Scheme as at December 31, 2005:*

106,732,831
 - (ii) *Percentage of the issued share capital that it represents as at December 31, 2005:*

4.36%

- (d) *Maximum entitlement of each participant under the Scheme as at December 31, 2005:*

Not more than:

 - (i) 10% of the maximum number of Shares available for subscription under the terms of the Scheme; and
 - (ii) in terms of amount of the aggregate subscription price, such amount of aggregate subscription price in respect of all the Shares for which an employee is granted options in any financial year as would exceed five times his or her gross annual remuneration.

- (e) *Period within which the Shares must be taken up under an option:*
Within 10 years from the date on which the option is granted or such shorter period as the Board of Directors may approve.
- (f) *Minimum period for which an option must be held before it can be exercised:*
One year from the date on which the option is granted.
- (g) (i) *Price payable on application or acceptance of the option:*
HK\$1.00
- (ii) *The period within which payments or calls must or may be made or loans of such purposes must be repaid:*
Seven days after the offer date of an option.
- (h) *Basis of determining the exercise price:*
Pursuant to rule 17.03 (9) of the Listing Rules, the exercise price must be at least the higher of:
- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; and
- (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant.
- (i) *The remaining life of the scheme:*
Two years

(II) Details of Share Options Granted

Details of share options granted to Directors of the Company are set out in the section headed "Directors' interests in shares" in the Report of the Directors.

Set out below are particulars and movements during the financial year of the Company's outstanding share options which were granted to 12 employees (one of them being Director of the Company), all working under employment contracts that are regarded as "continuous contracts" for the purposes of the Employment Ordinance and are participants with options not exceeding the respective individual limits:

Date granted (Day/Month/Year)	No. of ordinary shares represented by unexercised options outstanding as at 01/01/2005	No. of ordinary shares represented by options lapsed/ exercised during the financial year	No. of ordinary shares represented by unexercised options outstanding as at 31/12/2005	Period during which rights exercisable (Day/Month/Year)	Price per share to be paid on exercise of options (HK\$)
01/08/1996	400,000	200,000	200,000	01/08/1996 to 31/07/2006	25.00

The weighted average closing price of the Shares of the Company immediately before the dates of all exercises by employees of the Company's share options during the financial year was HK\$30.1 per share.

Except as disclosed above, no share option of the Company was issued, exercised, cancelled, lapsed or outstanding throughout the year under review.

(E) DIRECTORS' INTERESTS IN COMPETING BUSINESS

Set out below is information disclosed pursuant to paragraph 8.10 of the Listing Rules of the Stock Exchange.

Four Directors of the Company, namely, Mr P K C Woo, who is also the chairman and a substantial shareholder of the Company's substantial shareholder, Wheelock, and Messrs G W J Li, S T H Ng and T Y Ng, who are also directors of Wheelock and/or subsidiaries of Wheelock, are considered as having an interest in Wheelock under paragraph 8.10 of the Listing Rules.

Ownership of property for letting and development of properties for sale and/or investment carried on by Wheelock and subsidiaries of Wheelock constitute competing businesses of the Group.

The ownership of commercial premises by the Wheelock group for rental purposes is considered as competing with the commercial premises owned by the Group. Since the Group's commercial premises are not in the vicinity of those owned by the Wheelock group, and are targeted at different customers and would attract different tenants compared to those of the Wheelock group, the Group considers that its interest regarding the business of owning and letting of commercial premises is adequately safeguarded.

The development of properties for sale and/or investment purposes by the Wheelock group is also considered as a competing business of the Group. However, the Group itself has adequate experience in property development and is therefore capable of carrying on its property development business independently of the Wheelock group.

For safeguarding the interests of the Group, the independent Non-executive Directors and the Audit Committee of the Company would on a regular basis review the business and operational results of the Group to ensure, *inter alia*, that the Group's development of properties for sale and/or investment and property leasing businesses are and continue to be run on the basis that they are independent of, and at arm's length from, those of the Wheelock group.

(F) MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2005:

- (i) the aggregate amount of purchases (not including the purchases of items which are of a capital nature) attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and
- (ii) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

(G) BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

Particulars of all such bank loans, overdrafts and/or other borrowings of the Company and of the Group as at December 31, 2005 which are repayable on demand or within a period not exceeding one year are set out in Note 24 to the Accounts on pages 116 to 118. Those which would fall due for repayment after a period of one year are particularised in Note 24 to the Accounts on pages 116 to 118.

Set out below is information regarding certain borrowings of the Group outstanding as at December 31, 2005, all in the form of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:

Name of Subsidiary/Borrower	Description of Debt Securities Issued	Outstanding Principal Amount
(1) Wharf International Finance Limited	US\$ Guaranteed Series A Fixed Rate Notes due 2007	US\$309 Million
(2) Wharf Finance (BVI) Limited	HK\$ Guaranteed Fixed Rate Notes due 2006	HK\$600 Million
	HK\$ Guaranteed Floating Rate Notes due 2006	HK\$340 Million
	HK\$ Guaranteed Fixed Rate Notes due 2006	HK\$400 Million
	HK\$ Guaranteed Fixed Rate Notes due 2006	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2007	HK\$250 Million
	US\$ Guaranteed Fixed Rate Notes due 2007	US\$50 Million
	HK\$ Guaranteed Floating Rate Notes due 2008	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2008	HK\$300 Million
	HK\$ Guaranteed Floating Rate Notes due 2009	HK\$100 Million
	HK\$ Guaranteed Floating Rate Notes due 2010	HK\$200 Million

(H) INTEREST CAPITALISED

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 5 to the Accounts on page 90.

(I) 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.

(J) PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended December 31, 2005.

(K) DISCLOSURE OF CONNECTED TRANSACTIONS

Set out below is information in relation to certain connected transactions involving the Company and/or its subsidiaries which were substantially disclosed in the press announcements of the Company dated June 29, 2005, August 1, 2005, October 6, 2005 respectively and were required under the Listing Rules of the Stock Exchange to be disclosed in the Annual Report and Accounts of the Company:

(I) Acquisition of shares in i-CABLE Communications Limited

On June 28, 2005, Wharf Communications Limited, a wholly-owned subsidiary of the Company, entered into two separate sale and purchase agreements respectively with WF Investment Partners Limited ("WF") and Lynchpin Limited ("Lynchpin") for the acquisition of 107,623,761 shares and 17,619,827 shares in i-CABLE Communications Limited ("i-CABLE") (respectively representing 5.3% and 0.9% of the issued share capital of i-CABLE), at considerations payable in cash of HK\$277.1 million and HK\$45.4 million respectively. WF and Lynchpin are wholly-owned subsidiaries of Wheelock and Company Limited ("Wheelock") and Wheelock Properties Limited ("WPL") respectively. The transactions were completed on June 30, 2005.

Since the Company is a 48%-owned associate of Wheelock and WPL is a 74%-owned subsidiary of Wheelock, the abovementioned transactions constituted connected transactions for the Company under the Listing Rules.

(II) Acquisition of shares in Modern Terminals Limited

In May 2005, pursuant to the articles of association of Modern Terminals Limited ("Modern Terminals"), Swire Pacific Limited (the "Vendor") served a transfer notice to Modern Terminals. On June 1, 2005 (the "Offer Date"), Modern Terminals in turn offered to each of the other shareholders of Modern Terminals, including a wholly-owned subsidiary of the Company (the "Subsidiary") which held 55.34% equity interest in Modern Terminals as at the Offer Date, for the purchase by the offerees of 13,551 shares of Modern Terminals ("Offer Shares") at the Purchase Price in proportion to their respective shareholding interests in Modern Terminals under the pre-emptive arrangements. On July 30, 2005, the Subsidiary exercised its Pre-emption Rights to acquire 9,683 shares (the "Acquisition Shares") in Modern Terminals at a purchase price of HK\$214,006.35 per share payable by way of cash. The acquisition of the Acquisition Shares by the Subsidiary was completed on August 15, 2005.

As the Vendor was a substantial shareholder of Modern Terminals immediately before the acquisition of the Acquisition Shares by the Subsidiary, the Vendor was regarded as a connected person of the Company under the Listing Rules. Therefore, the Acquisition constituted a connected transaction of the Company under the Listing Rules.

(III) Shares Buyback in Modern Terminals Limited

On October 6, 2005, Modern Terminals entered into a buyback agreement for the buyback of 1,933 shares in Modern Terminals from Pacific Paradise Assets Limited ("PPAL"), a subsidiary of China Merchants Holdings ("CMH") group. The total consideration of HK\$413,674,274.55 was paid in cash by Modern Terminals to PPAL for the shares buyback. The transaction was completed on October 13, 2005.

PPAL, as a substantial shareholder of Modern Terminals (which is a non wholly-owned subsidiary of the Company), was regarded as a connected person of the Company under the Listing Rules. Therefore, the shares buyback constituted a connected transaction for the Company under the Listing Rules.

(IV) Tenancy Agreement with Joyce Boutique Limited

On January 16, 2006, a renewal tenancy agreement (“JBL Agreement”) in respect of certain retail premises at Ground Floor, No. 17-19 Canton Road, Harbour City, Kowloon, Hong Kong for the period from January 2, 2006 to January 1, 2009 was entered into between Wharf Realty Limited (“WRL”), a wholly-owned subsidiary of the Company as the landlord, and Joyce Boutique Limited (“JBL”) as the tenant.

As JBL is indirectly 51.9%-owned by a trust of which certain close relatives of the Chairman of the Company are discretionary objects, the JBL Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

The rent receivable by WRL from JBL under the JBL Agreement for each of the three financial years ended December 31, 2008 will not exceed a cap amount of HK\$15 million.

(V) Tenancy Agreement with Ferragamo Retail HK Limited

On January 18, 2006, a relocation and renewal tenancy agreement (“Ferragamo Agreement”) in respect of certain retail premises at Ground Floor and Level 1, Ocean Centre, Harbour City, Kowloon, Hong Kong for the period from January 20, 2006 to January 19, 2009 was entered into between WRL as the landlord, and Ferragamo Retail HK Limited (“Ferragamo”) as the tenant.

As Ferragamo is indirectly 40%-owned by a trust of which certain close relatives of the Chairman of the Company are discretionary objects, the abovementioned agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

The rent receivable by WRL from Ferragamo under the Ferragamo Agreement for each of the three financial years ended December 31, 2008 will not exceed a cap amount of HK\$22.36 million.

(VI) Tenancy Agreements with City Super Limited

- (a) Set out below is information in relation to certain continuing connected transactions (the "Transactions") in respect of tenancy agreements between two wholly-owned subsidiaries of the Company and City Super Limited ("City Super"), particulars of which were previously disclosed in the press announcement of the Company dated January 5, 2005.

Description of the Transactions	Amount of rent received by the Company for the year ended December 31, 2005 HK\$ Million
1. Tenancy agreement in respect of B101-B109, Basement 1, Times Square, Causeway Bay, Hong Kong	22.65
2. Tenancy agreement in respect of Shops 3001-3002, Level 3, Gateway Arcade, Harbour City, Kowloon, Hong Kong	20.73

The abovementioned agreements are regarded as connected transactions for the Company by reason of the fact that City Super is 39.08%-owned by Lane Crawford (BVI) Limited which in turn is indirectly wholly-owned by a trust the settlor of which is the Chairman of the Company.

- (b) Confirmation from the Directors

The Directors, including the independent Non-executive Directors, of the Company have reviewed the Transactions mentioned under Section (K)(VI)(a) above and confirmed that the Transactions were entered into:

- (1) by the Group in the ordinary and usual course of its business;
- (2) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and
- (3) in accordance with the relevant agreements governing the Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

- (c) Furthermore, the auditors of the Company have advised the following:
- (1) the 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 Transactions were not entered into in accordance with the terms of the related agreements governing the Transactions; or, where there was no agreement, on terms no less favourable than those for similar transactions undertaken by the Group with independent third parties where available; and
 - (3) the relevant cap amounts have not been exceeded during the year ended December 31, 2005.