

## Report of the Directors

The Directors have pleasure in submitting to shareholders their report and statement of audited accounts for the year ended 31 December 2005.

### PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its principal subsidiaries and associate are shown on pages 111 to 115.

The analysis of the turnover and results by principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 5 to the accounts.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2005 are set out in the consolidated profit and loss account on page 48.

There was no transfer from accumulated profit (2004: Nil) to capital redemption reserve during the year.

### DIVIDEND

No interim dividend for the year ended 31 December 2005 was paid and the Directors recommend the declaration of a final dividend at the rate of HK2.2 cents per share payable on 11 May 2006 to all persons registered as holders of the Company's shares on 10 May 2006. The Register of Members will be closed from 2 May 2006 to 10 May 2006, both days inclusive.

### RESERVES

Movements in the reserves of the Company and the Group during the year are set out in note 38 to the accounts and the consolidated statement of changes in equity on pages 54 and 55 respectively.

### CHARITABLE DONATIONS

Donations to charitable organisations by the Group during the year amounted to HK\$49,000 (2004: HK\$20,000).

### PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Particulars of the movements of property, plant and equipment and investment properties are set out in notes 16 and 17 to the accounts, respectively.

### PROPERTIES

Particulars of major properties of the Group are set out on pages 117 to 119.

## Report of the Directors

### SHARE CAPITAL

Details of the share capital of the Company are set out in note 36 to the accounts.

### DIRECTORS

The board of Directors of the Company (the "Board") as at 31 December 2005 comprised Messrs. Fok Kin-ning, Canning, Lai Kai Ming, Dominic, Luk Tei, Lewis, Ko Yuet Ming, Chan Wen Mee, May (Michelle), Chow Woo Mo Fong, Susan, Chow Wai Kam, Raymond, Edith Shih (also Alternate Director to Mr. Fok Kin-ning, Canning), Endo Shigeru, Cheung Wing Han, Miranda, Tam Yue Man, Ronald Joseph Arculli, Kwan Kai Cheong, Lam Lee G. and Lan Hong Tsung, David.

Mr. Lan Hong Tsung, David was appointed as an Independent Non-executive Director and Mr. Cheng Ming Fun, Paul resigned as an Independent Non-executive Director on 18 May 2005. Ms. Cheung Wing Han, Miranda resigned as Executive Director on 1 January 2006. The Board is pleased to express its gratitude to Mr. Cheng Ming Fun, Paul and Ms. Cheung Wing Han, Miranda for their valuable contributions to the Company and welcome the appointment of Mr. Lan Hong Tsung, David.

Ms. Chan Wen Mee, May (Michelle) was re-designated as Executive Deputy Managing Director on 18 May 2005 and was then re-designated as Managing Director on 1 February 2006. Mr. Ko Yuet Ming was re-designated as Deputy Chairman and Non-executive Director and Mr. Luk Tei, Lewis relinquished his position of Deputy Managing Director and remained as Deputy Chairman on 1 February 2006.

In accordance with Bye-Laws 95, 112(A) and 112(B) of the Company, Messrs. Lai Kai Ming, Dominic, Chow Wai Kam, Raymond, Tam Yue Man and Lan Hong Tsung, David will retire by rotation at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election.

The Company received the Independent Non-executive Directors' confirmations of their independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considered all the Independent Non-executive Directors are independent.

The Directors' biographical details are set out on pages 9 to 12.

### INTEREST IN CONTRACTS

No contracts of significance in relation to the businesses of the Company and its subsidiaries to which the Company or a subsidiary was a party in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' SERVICE CONTRACT

None of the Directors of the Company who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

## Report of the Directors

### SHARE OPTION SCHEME

Pursuant to an ordinary resolution passed on 20 May 2004, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group, to continue and/or render improved service with the Group, and/or to establish a stronger business relationship between the Group and such participants.

The Directors (which expression shall include a duly authorised committee thereof) may, at their absolute discretion, invite any person belonging to any of the following classes of participants to take up options to subscribe for shares of HK\$0.10 each in the share capital of the Company:

- (a) any employee/consultant (as to functional areas of finance, business or personnel administration or information technology) or proposed employee/consultant (whether full time or part time, including any Executive Director but excluding any Non-executive Director) (the "Eligible Employee") of the Company, any of its subsidiaries or any entity (the "Invested Entity") in which any member of the Group holds any equity interest;
- (b) any Non-executive Directors (including Independent Non-executive Directors) of the Company, any of its subsidiaries or any Invested Entity;
- (c) any supplier of goods or services to any member of the Group or any Invested Entity;
- (d) any customer of any member of the Group or any Invested Entity;
- (e) any person or entity that provides research, development or other technological support to any member of the Group or any Invested Entity;
- (f) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- (g) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliance or other business arrangement to the development and growth of the Group; and
- (h) any company wholly owned by one or more persons belonging to any of the above classes of participants.

## Report of the Directors

### SHARE OPTION SCHEME (Continued)

For the avoidance of doubt, the grant of any options by the Company for the subscription of shares or other securities of the Group to any person who fall within any of the above classes of participants shall not, by itself, unless the Directors otherwise determine, be construed as a grant of option under the Share Option Scheme.

The eligibility of any of the above class of participants to the grant of any options shall be determined by the Directors from time to time on the basis of their contribution to the development and growth of the Group. The maximum number of shares of the Company to be allotted and issued is as follows:

- (a) The maximum number of securities which may be allotted and issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the relevant class of securities of the Company (or its subsidiaries) in issue from time to time.
- (b) The total number of shares of the Company which may be allotted and issued upon the exercise of all options (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme and any other share option scheme of the Group) to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 6% of the relevant class of securities of the Company (or its subsidiaries) in issue as at 20 May 2004, being the date of passing the relevant resolution adopting the Share Option Scheme (the "General Scheme Limit"). Based on the number of shares in issue of the Company on 20 May 2004, the General Scheme Limit of the Share Option Scheme is 402,300,015 shares.
- (c) Subject to (a) above and without prejudice to (d) below, the Company may seek approval of its shareholders in general meeting to refresh the General Scheme Limit (a circular containing the information required by the Listing Rules to be despatched to the shareholders of the Company for that purpose) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not exceed 10% of the relevant class of securities of the Company (or its subsidiaries) in issue as at the date of approval of the limit and, for the purpose of calculating the limit, options including those outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option scheme of the Group will not be counted.
- (d) Subject to (a) above and without prejudice to (c) above, the Company may seek separate approval of the shareholders in general meeting to grant options beyond the General Scheme Limit or, if applicable, the extended limit referred to in (c) above to participants specifically identified by the Company before such approval is sought.

## Report of the Directors

### SHARE OPTION SCHEME (Continued)

The total number of shares of the Company issued and which may fall to be issued upon the exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised or outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being (the "Individual Limit"). Any further grant of options in excess of the Individual Limit in any 12-month period up to and including the date of such further grant shall be subject to the approval of the shareholders in a general meeting of the Company with such participant and his associates abstaining from voting. The number and terms (including the exercise price) of the options to be granted (and options previously granted to such participant) must be fixed before the approval of the shareholders and the date of the board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the exercise price under Note (1) to Rule 17.03(9) of the Listing Rules.

An option may be accepted by a participant within 21 days from the date of the offer for the grant of the option.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined on the date of offer for the grant of option and notified by the Directors to each grantee, which period may commence, once the offer for the grant is accepted within the prescribed time by the grantee, from the date of the offer for the grant of options but shall end in any event not later than ten years from the date on which the offer for the grant of the option is made, subject to the provisions for early termination thereof. Unless otherwise determined by the Directors and stated in the offer of the grant of options to a grantee, there is no minimum period required under the Share Option Scheme for the holding of an option before it can be exercised.

The subscription price for the shares under the Share Option Scheme shall be a price determined by the Directors but shall not be less than the highest of (i) the closing price of the shares of the Company as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited (the "SEHK") for trade in one or more board lots of the shares of the Company on the date of the offer of grant which must be a business day; (ii) the average closing price of shares of the Company as stated in the SEHK's daily quotations sheet for trade in one or more board lots of shares of the Company for the five trading days immediately preceding the date of the offer of grant which must be a business day; and (iii) the nominal value of the shares of the Company. A nominal consideration of HK\$1 is payable on acceptance of the grant of an option.

The Share Option Scheme will remain in force for a period of ten years commencing on the date on which the Share Option Scheme becomes unconditional.

## Report of the Directors

## SHARE OPTION SCHEME (Continued)

The following share options were outstanding under the Share Option Scheme during the year ended 31 December 2005:

Grant date	Options held at 1 January 2005	Options granted during the year	Options exercised during the year	Options cancelled/lapsed during the year	Options held at 31 December 2005	Exercise period	Exercise price per share HK\$	Share price on the grant date <sup>(2)</sup> HK\$	Share price on the exercise date HK\$	
<b>Directors</b>										
Ko Yuet Ming	3.6.2005	N/A	12,000,000	-	-	12,000,000	3.6.2006 – 16.9.2014	0.822	0.82	N/A
Luk Tei, Lewis	3.6.2005	N/A	10,000,000	-	-	10,000,000	3.6.2006 – 16.9.2014	0.822	0.82	N/A
Chan Wen Mee, May (Michelle)	3.6.2005	N/A	12,000,000	-	-	12,000,000	3.6.2006 – 16.9.2014	0.822	0.82	N/A
Endo Shigeru	3.6.2005	N/A	5,000,000	-	-	5,000,000	3.6.2006 – 16.9.2014	0.822	0.82	N/A
Cheung Wing Han, Miranda	3.6.2005	N/A	10,000,000	-	-	10,000,000	3.6.2006 – 16.9.2014	0.822	0.82	N/A
Tam Yue Man	3.6.2005	N/A	10,000,000	-	-	10,000,000	3.6.2006 – 16.9.2014	0.822	0.82	N/A
Sub-total		N/A	59,000,000	-	-	59,000,000				
<b>Other employees</b>	3.6.2005	N/A	64,750,000	-	(1,500,000)	63,250,000	3.6.2006 – 16.9.2014	0.822	0.82	N/A
Total		N/A	123,750,000	-	(1,500,000)	122,250,000				

## Notes:

- (1) The above share options are exercisable subject to the vesting schedule pursuant to which approximately one-third of the options will be vested on each of 3 June 2006 and 3 June 2007 and the balance of the options will be vested on 3 June 2008.
- (2) The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares quoted on the SEHK on the trading day immediately prior to the date of grant of share options.

The fair value of options granted estimated in accordance with the Binominal valuation model is disclosed in note 37 to the accounts.

Apart from the Share Option Scheme, at no time during the year ended 31 December 2005 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of acquisition of shares in, or debenture of, the Company or any other body corporate.

## Report of the Directors

### CONNECTED TRANSACTIONS

Since June 2002, the Group commenced the supply of a range of products i.e. plastic, fabric, electronics and paper products, moulds, premium products and mobile phone accessories (the "Existing Supplies") to Hutchison Whampoa Limited ("HWL") and its subsidiaries (collectively the "HWL group"). Such Existing Supplies constituted connected transactions for the Company under the Listing Rules. The Company made an application to the SEHK for a waiver to disclose further Existing Supplies (the "Further Existing Supplies") by way of press announcement. On 25 November 2002, the SEHK granted to the Company a conditional waiver (the "Existing Waiver") in respect of Further Existing Supplies. On 31 July 2003, the Company and HWL jointly announced that the Group and the HWL group intended to continue to enter into contracts for the supply by the Group to the HWL group of a wider range of products and services which comprised plastic products, moulds, premium products, mobile phone accessories and related products, electronics and paper products, fabrics, garment and textile, footwear, toys and games, household, sports goods, beauty and health products, stationery, office supplies, fashion accessories (including bags and wallets), leather goods, gifts and novelties, pet products, food and beverage, fine art and collectibles, publishing products and audio and/or audio-visual products (the "Expanded Supplies").

On 31 July 2003, the Company and Hutchison International Limited ("HIL", and together with its subsidiaries as the "HIL group") entered into a service agreement (the "Service Agreement") which set forth the terms and conditions under which HIL would continue to provide or procure other members of the HIL group to continue to provide administrative and support services to the Group. The HIL group had been providing certain administrative and support services to the Group in connection with the operation of the Group's business since the third quarter of 2001 when the Company became a subsidiary of HWL. The Service Agreement was deemed to have commenced on 1 January 2003 and would expire on 31 December 2007. The services covered in the Service Agreement (the "Services") comprised administrative services (including legal and company secretarial support services, advisory and support services on fund raising and treasury matters, public relations support services and tax planning support services) and operation-related consultancy services (including operation review and ad hoc review of special projects). The parties agreed that the fee payable for the Services provided shall be of an amount equal to the cost to (including out-of-pocket expenses incurred by) the HIL group for the provision for the Services plus a margin of 10% per annum (or at such other reasonable margin rate or on such other reasonable basis as the parties may agree in writing) to cover overheads, clerical, general office support and other non-specific costs and expenses incurred by the HIL group in generating the Services. HIL is a connected person for the Company by virtue of being a wholly owned subsidiary and therefore an associate of HWL. The Service Agreement constituted a connected transaction for the Company under the Listing Rules.

## Report of the Directors

### CONNECTED TRANSACTIONS (Continued)

On 28 August 2003, the Company applied to the SEHK for a new waiver from strict compliance with (i) the disclosure and independent shareholders' approval requirements in respect of the Expanded Supplies; and (ii) the requirements of disclosure by press announcement in respect of the provision of the Services. On 5 September 2003, the SEHK granted to the Company conditional waivers (the "New Waivers") from strict compliance with (i) the disclosure and independent shareholders' approval requirements as stipulated in the then Chapter 14 of the Listing Rules in connection with the Expanded Supplies on each occasion they arise for each of the three years ended 31 December 2005; and (ii) the requirements of disclosure by press announcement as set out in the then Listing Rule 14.25(1) in connection with the Services on each occasion they arise, subject to the following conditions (the "Waiver Conditions"):

- (1) the Expanded Supplies and the Services (collectively the "Connected Transactions") shall be (i) entered into by the Group in the ordinary and usual course of its business; (ii) entered into either (a) on normal commercial terms; or (b) (where there is no available comparison) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and (iii) carried out in accordance with the terms of the respective agreements governing such Connected Transactions; or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties;
- (2) the annual aggregate amount of the Connected Transactions shall not exceed the limits (the "Cap Amounts") set out below:
  - (a) in relation to the Expanded Supplies, the annual aggregate sales amounts of the Expanded Supplies provided by the Group to the HWL group shall not exceed 15% of the audited consolidated turnover of the Group for such financial year for each of the three years ended 31 December 2005; and
  - (b) in relation to the Services, the annual aggregate fee payable by the Group to the HIL group under the Service Agreement shall not exceed the higher of HK\$10,000,000 or 3% of the net tangible assets of the Company as disclosed in its latest published consolidated accounts;
- (3) the Independent Non-executive Directors of the Company shall review the Connected Transactions annually and confirm in the Company's annual report for the relevant financial year that the Connected Transactions are conducted in the manner as stated in paragraphs (1) and (2) above;
- (4) the auditors of the Company shall review the Connected Transactions annually and confirm in a letter to the Board, a copy of which shall be provided to the Listing Division of the SEHK, stating whether (i) the Connected Transactions have received the approval from the Board; (ii) the Connected Transactions have been carried out in accordance with the terms of the relevant agreements governing such Connected Transactions or where there are no such agreements, on terms no less favourable than terms available to or from independent third parties; and (iii) the Cap Amounts have been exceeded; and
- (5) details of the Connected Transactions in each financial year as required under then Listing Rules 14.25(1)(A) to (D) shall be disclosed in the Company's annual report for the financial year concerned together with a statement of opinion of the Independent Non-executive Directors referred in paragraph (3) above.



## Report of the Directors

### CONNECTED TRANSACTIONS (Continued)

The Connected Transactions for the year ended 31 December 2005 (the "2005 Connected Transactions") comprised the following transactions:

- (a) the Expanded Supplies provided by the Group to the HWL group in respect of (i) 3G accessories for an aggregate sales amount of approximately HK\$71,000,000; (ii) cap covers for "Watsons Water" bottles for an aggregate sales amount of approximately HK\$14,800,000; (iii) premium items for an aggregate sales amount of approximately HK\$12,800,000 and (iv) other items for an aggregate sales amount of approximately HK\$29,000,000; and
- (b) the Services provided by the HIL group to the Group for an aggregate fee amount of approximately HK\$4,000,000.

With respect to the 2005 Connected Transactions, the Cap Amount for the Expanded Supplies was approximately HK\$393,058,000, representing 15% of the audited consolidated turnover of the Group for the year ended 31 December 2005 and the Cap Amount for the Services was approximately HK\$133,360,000, representing 3% of the net tangible assets of the Company as disclosed in its audited consolidated accounts for the year ended 31 December 2005.

All the Independent Non-executive Directors of the Company have reviewed the 2005 Connected Transactions and confirmed that (a) the 2005 Connected Transactions were entered into (i) by the Group in the ordinary and usual course of the business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the respective agreements governing such 2005 Connected Transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (b) the annual aggregate amounts of the 2005 Connected Transactions did not exceed the respective Cap Amounts.

In addition, the auditors of the Company have confirmed in a letter to the Board to the effect that the 2005 Connected Transactions (a) have been approved by the Board; (b) were in accordance with the pricing policies of the Company if transactions involved provision of goods and services by the Group; (c) were carried out in accordance with the terms of the relevant agreements governing such 2005 Connected Transactions; and (d) did not exceed the respective Cap Amounts.

On 4 October 2005, the following agreements were entered into:

- (a) a conditional sale and purchase agreement (the "Newscott Agreement") between (i) City Island Developments Limited ("City Island", an indirect wholly owned subsidiary of the Company) as purchaser, (ii) Hildon Development Limited ("Hildon", a company indirectly owned as to 50% by each of HWL and Cheung Kong (Holdings) Limited ("CKH")) as vendor, (iii) Cheung Kong Holdings (China) Limited ("CKHC", an indirect wholly owned subsidiary of CKH) and Hutchison Whampoa Properties Limited ("HWP", an indirect wholly owned subsidiary of HWL) as vendor guarantors, and (iv) the Company as purchaser guarantor with respect to the acquisition by City Island from Hildon 100 shares of US\$1.00 each, representing the entire issued share capital, of Newscott Investments Limited ("Newscott", a then wholly owned subsidiary of Hildon) and all the shareholder's loans due and owing from Newscott to Hildon as at the completion date of the Newscott Agreement, for a total cash consideration of approximately HK\$1,797,554,000;

## Report of the Directors

### CONNECTED TRANSACTIONS (Continued)

- (b) a conditional sale and purchase agreement (the "Great Winwick Agreement") between (i) City Island as purchaser, (ii) Montoya (HK) Limited ("Montoya", a company indirectly owned as to 50% by each of HWL and CKH) as vendor, (iii) CKHC and HWP as vendor guarantors and (iv) the Company as purchaser guarantor with respect to the acquisition by City Island from Montoya 100 shares of US\$1.00 each, representing the entire issued share capital, of Great Winwick Limited ("Great Winwick", a then wholly owned subsidiary of Montoya) and all the shareholder's loans due and owing from Great Winwick to Montoya as at the completion date of the Great Winwick Agreement, for a total cash consideration of approximately HK\$394,327,000; and
- (c) a conditional agreement (the "Convertible Note Subscription Agreement") between the Company and HIL with respect to the issue of a convertible note in the principal sum of US\$128,200,000 (the "Convertible Note") by the Company to Uptalent Investments Limited ("Uptalent", a wholly owned subsidiary of HIL) concurrent with and conditional upon, amongst other things, completion of the Newscott Agreement and the Great Winwick Agreement. A total of 1,123,550,561 shares of the Company will be issued assuming the Convertible Note is fully converted at the initial conversion price of HK\$0.89 per share, representing approximately 16.8% of the existing issued share capital of the Company and approximately 14.4% of the Company's issued capital as enlarged by the conversion.

The principal assets of Newscott and Great Winwick are the holding of the entire equity interests in, and loans to, Shanghai He Hui Property Development Co., Ltd. 上海和匯房產開發有限公司 ("He Hui", which is wholly owned by Newscott) and Shanghai Xin Hui Property Development Co., Ltd. 上海新匯房產開發有限公司 ("Xin Hui", which is wholly owned by Great Winwick, which together with He Hui are together referred to as the "Property Owners") as property owners of the development known as "The Center" located at 989 Changle Road, Shanghai, the People's Republic of China (the "PRC") with a total gross floor area of 98,337.09 square metres (including 204 underground parking spaces) (the "Development") and the clubhouse with a gross floor area of 2,337.79 square metres located at The Summit, No. 1 to No. 4, Lane 99 Urumqi Zhong Lu, Shanghai, PRC (the "Clubhouse"). Property investments to generate stable rental income, principally in China, has been one of the core businesses of the Group. The office rental market in Shanghai, the leading commercial and financial centre of China, continues to experience strong growth and the Group's existing commercial properties portfolio has maintained satisfactory rental yields and occupancy rates. The acquisition of the Development and the Clubhouse represented a valuable opportunity for the Group to pursue its strategy of replacing its existing investments in aging properties by newly constructed prime. A high quality tenanted commercial building with good market appreciation potential that can generate a stable cashflow and more favourable rental yield to the Group contributed incremental profits. The general expectation of Renminbi appreciation would boost further the market value of properties which generate rental income in such currency.

The issue of the Convertible Note would raise immediate funds for the Company which could be used for general working capital purposes and for funding new business start up and other acquisitions. The conversion of the Convertible Note would further increase HWL's controlling interests in, and hence support for, the Company.

## Report of the Directors

### CONNECTED TRANSACTIONS (Continued)

Both Hildon and Montoya were connected persons of the Company by virtue of being associates of Promising Land International Inc. ("Promising Land", an indirect wholly owned subsidiary of HWL), the controlling shareholder of the Company. HIL is a connected person of the Company by virtue of being a wholly owned subsidiary of HWL. The transactions under the Newscott Agreement and the Great Winwick Agreement (collectively the "Acquisition Agreements") and the Convertible Note Subscription Agreement constituted connected transactions for the Company under the Listing Rules and were subject to the approval by the shareholders of the Company, other than CKH, HWL and their respective associates (the "Independent Shareholders") by poll at a general meeting under Listing Rules 14.40 and 14A.18.

As the Connected Transactions are expected to continue and certain other continuing connected transactions between the Group and the HWL group are expected to be entered into after the expiry of the New Waivers, and the relevant percentage ratios are on an annual basis more than 0.1% or more than 2.5%, the Company on 19 October 2005 entered into an agreement (the "Master Agreement") with HIL in relation to the HHR Supplies and the HWL Supplies (both as referred to below) with the intention of setting the framework terms for future transactions to be made between the Group and the HWL group for three years after 1 January 2006.

The HHR Supplies are the supplies by the Group to HIL group during the period from 1 January 2006 to 31 December 2008 of plastic products (including without limitation bottle caps), moulds and related toolings, mobile phone accessories and related products (including without limitation Bluetooth mono headsets, Bluetooth stereo headsets, mono headsets, stereo handsets, batteries, chargers, car charges, data cable, AC adaptors, USB connectors, mobile music stands and carry cases), consumer electronic products (including without limitation Digital Audio Broadcast radios, MP3 players and Personal Multi-media Players), toys (including without limitation stuff toys) and games, gifts and premium products, novelties, fine arts and collectibles, electrical and electronic products (including without limitation illuminated signs), home appliances (including without limitation audio and audio-visual systems, LCD televisions, DVD recorders and speakers and hi-fi systems), household products (including without limitation laundry and shopping bags, housewares and first-aid kits), papers products, publishing products, stationeries, office supplies, fabrics, garment and textile, footwear, fashion and leather accessories (including without limitation bags, key holders, wallets and watches), beauty and health products, sports goods (including without limitation retractable bicycles), pet products, food and beverage (including without limitation Chinese herbal soup and food packs), product design services, sales referral, distribution and outsourcing services. The Company has set the maximum aggregate annual value (the "Annual Caps") of HHR Supplies for the three years ending 31 December 2008 at HK\$205,000,000, HK\$238,000,000 and HK\$262,000,000 respectively. Such Annual Caps were determined by reference to nature of the transactions, the aggregate annual value of the transactions for the three years ended 31 December 2004 of approximately HK\$5,575,000, HK\$87,523,000 and HK\$151,008,000 respectively and for the aggregate value of the transactions for the six months ended 30 June 2005 of HK\$60,053,000, the existing scale and operations of the businesses of the Group, the prevailing and expected market conditions, the significant anticipated volume and annual growth of such businesses following the Group's strategy to expand its geographical coverage to Europe with a view to capturing the tremendous market demand for mobile phone accessories and personal care products in light of the expected continual expansion of HWL group's 3G businesses in all the various

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### CONNECTED TRANSACTIONS (Continued)

places of operations including particularly in the European countries, the Group's mobile phone accessories distributorship arrangements (similar to the 3G Italy Accessories Distribution Agreement) secured and hopefully to be secured in the future with such other 3G operators, the anticipated supplies to the HWL group's expanded retail stores worldwide (from health and beauty, luxury perfumeries and cosmetics to food, electronics, fine wine and airport retail arms) as well as the growth of the Group's new one-stop-shop licensing and sourcing business involving high value items following the Group's establishment of a strong sourcing network through the increase in sourcing activities.

The HWL Supplies are the supplies by the HWL group to the Group during the period from 1 January 2006 to 31 December 2008 of mobile handsets; premium products (including without limited MP3 and DVD movie games); distilled water, food and beverages, groceries; stationeries, office supplies; printing services, telecommunications and Internet services; administrative, legal, consultancy, insurance support services, hotel services, travel and transportation services; and advertising and promotional services. The Company has set the Annual Caps of HWL Supplies for the three years ending 31 December 2008 at HK\$35,000,000, HK\$45,000,000 and HK\$45,000,000 respectively. Such Annual Caps were determined by reference to nature of the transactions, the aggregate annual value of the transactions for the three years ended 31 December 2004 of HK\$4,404,000, HK\$14,376,000 and HK\$17,361,000 respectively and for the aggregate value of the transactions for the six months ended 30 June 2005 of HK\$9,836,000, the existing scale and operations of the businesses of the Group, the anticipated volume of such businesses. The anticipated growth is principally attributed to the level of fee expected to be payable to H3G S.p.A. under the 3G Italy Accessories Distribution Agreement or other 3G operators within the HWL group for promotional activities on the "3" branded products from last quarter of 2005 through to 2007. With an expected shift of focus to promotion of non-"3" brands starting from 2008, no growth in the promotional fee payable to the HWL group is projected. Demand for the HWL Supplies (and travel services, promotional activities and legal and administrative support services in particular) is expected to increase with the expansion and growth of the Group's business.

The Master Agreement was entered into on normal commercial terms or on terms no less favourable to the Group than terms available to or from other independent third party customers or suppliers for the relevant products or services. The board of Directors of the Company considered that provision of the HHR Supplies and acquisition of the HWL Supplies are consistent with the business and commercial objectives of the Group and will increase the revenue or meet the business needs of the Group. In particular, the Group is ideally positioned to benefit from the substantial presence and continual growth of the HWL group's 3G mobile business and retail stores worldwide through the provision of the wide variety of the HHR Supplies to such businesses. The Group will also enjoy from the benefits of and leverage on the economy of scale and expertise of the HWL group through acquisition of the HWL Supplies.

The HHR Supplies and the HWL Supplies constituted continuing connected transactions for the Company for the purpose of the Listing Rules. The HHR Supplies were subject to the approval by the Independent Shareholders by poll at a general meeting.

## Report of the Directors

### CONNECTED TRANSACTIONS (Continued)

On completion of Acquisition Agreements, which took place on 25 November 2005, the following agreements (the "Management Agreements") were entered into:

- (a) a supplemental agreement (the "Estate Management Agreement") to an agreement dated 25 August 2005 and made among the Property Owners and Hutchison Estate Service & Agency (Shanghai) Limited ("HESA", a wholly owned subsidiary of HWP) as the manager in respect of the provision, on an exclusive basis, estate management services for the Development for a term of five years commencing on 25 August 2005, and at the option of the Property Owners, a further term of five years at a management fee of 5% of the monthly management expenses; and
- (b) an agreement (the "Letting and Lease Management Agreement") among the Property Owners and Pacific Property (Shanghai) Limited 和巽物業諮詢(上海)有限公司 ("PPSL, an indirect wholly owned subsidiary of HWP) in respect to the appointment of PPSL as the leasing and letting manager of the Development to provide letting and lease management services, on an exclusive basis, for a term of five years commencing on 25 November 2005, and at the option of the Property Owners, a further term of five years in return for a management fee and commission comprising the aggregate of (a) 1% of one month's rental receivable under all letting; (b) one month's rental as commission for each new letting but if the letting is procured by an external agent, no commission is payable to PPSL but the Property Owners will bear any external agent's commission; and (c) 50% of one month's rental for each lease renewal with an existing tenant.

The Management Agreements constituted non-exempt continuing connected transactions for HHR and are subject to the reporting and announcement requirements described in Listing Rules 14A.45 to 14A.47.

The estate management agreement to which the Estate Management Agreement supplemented commenced on 25 August 2005, and the term and further terms of five years each are calculated by reference to that commencement date. It was proposed that the aggregate management fees under the Estate Management Agreement for each of the six years ending 31 December 2010 shall be subject to Annual Caps of HK\$170,000, HK\$1,600,000, HK\$1,800,000, HK\$2,000,000, HK\$2,100,000 and HK\$2,200,000 respectively for the purpose of Chapter 14 of the Listing Rules. These Annual Caps were based on projected management expenses to be incurred during such period.

The proposed Annual Caps for the aggregate commission payable under the Letting and Lease Management Agreement for six years ending 31 December 2010 are HK\$250,000, HK\$4,300,000, HK\$7,900,000, HK\$8,700,000, HK\$5,100,000 and HK\$16,000,000 respectively for the purpose of Chapter 14A of the Listing Rules. These Annual Caps were determined by reference to the terms of the Letting and Lease Management Agreement, projections based on the rental income derived from the Development since July 2004, the terms of the tenancies of the Development and the expected timing of the renewals and expiries of these tenancies and for securing new tenants (principally in 2007, 2008 and 2010).

## Report of the Directors

### CONNECTED TRANSACTIONS (Continued)

In addition, as a result of the Property Owners becoming wholly owned subsidiaries of the Company on 25 November 2005, the following documents (the "Leaseback Agreements") entered into by the Property Owners prior to such date with connected persons of the Company became the continuing connected transactions for the Company under the Listing Rules from such date:

- (a) the tenancy agreement dated 13 June 2004 made between the Property Owners as landlords and Shanghai Yahui Property Development Co, Limited 上海雅匯房產開發有限公司 ("Ya Hui, a company indirectly owned as to 50% by each of HWL and CKH) as tenant in respect of the whole of the 2nd Floor of the Development with an area of 2,163 square metres for the lease period of 72 months from 1 October 2004 to 30 September 2010 subject to a decoration period of 3 months from 1 July 2004 to 30 September 2004 and rent free period of 61 days from 1 October 2004 to 30 November 2004; and
- (b) the tenancy agreement dated 3 October 2005 and made between the Property Owners as landlords and Ya Hui as tenant in respect of the whole of the Mezzanine Floor of the Development with an area of 636.36 square metres for the lease period of 60 months from 1 October 2005 to 30 September 2010 subject to a rent free period of 4 months in total from 1 October 2005 to 30 November 2005 and from 1 October 2006 to 30 November 2006.

It was proposed that the aggregate rental income and management fees payable under the Leaseback Agreements for each of the five years ending 31 December 2009 and the nine months ending 30 September 2010 shall be subject to the Annual Caps of HK\$1,100,000, HK\$4,800,000, HK\$5,200,000, HK\$5,700,000, HK\$5,700,000 and HK\$4,400,000 respectively for the purpose of Chapter 14A of the Listing Rules. These Annual Caps were determined by reference to the terms of the Leaseback Agreements.

A special general meeting of the Company was held on 23 November 2005 (the "SGM"). At the SGM, the Independent Shareholders duly approved the transactions contemplated under the Acquisition Agreements, the Convertible Note Subscription Agreement and the Master Agreement (in the case of Master Agreement, in so far as such agreement related to the HHR Supplies and the Annual Caps for the HHR Supplies for the three years ending 31 December 2008).

All the Independent Non-executive Directors of the Company have reviewed the above continuing connected transactions for the year 2005 and confirmed that (a) they were entered into (i) by the Group in the ordinary and usual course of the business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the respective agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole; and (b) the aggregate amounts did not exceed the respective Annual Caps.

In addition, the auditors of the Company have confirmed in a letter to the Board to the effect that the above continuing connected transactions for the year 2005 (a) have been approved by the Board; (b) were in accordance with the pricing policies of the Company if transactions involved provision of goods and services by the Group; (c) were carried out in accordance with the terms of the relevant agreements governing them; and (d) did not exceed the respective Annual Caps.

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2005, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO) or which were required to be and were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the SEHK pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company (the "Model Code") were as follows:

#### (I) Interests and short positions in the shares, underlying shares and debentures of the Company

*Long positions in the shares and underlying shares of the Company*

Name of Director	Capacity	Nature of interests	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	5,000,000 <sup>(1)</sup>	–	5,000,000	0.07457%
Ko Yuet Ming	(i) Beneficial owner	(i) Personal interest	3,000,000	12,000,000 <sup>(2)</sup>	15,084,000	0.22497%
	(ii) Interest of spouse	(ii) Family interest	84,000	–		
Luk Tei, Lewis	(i) Beneficial owner	(i) Personal interest	4,630,000	10,000,000 <sup>(2)</sup>	15,630,000	0.23311%
	(ii) Beneficiary of a trust	(ii) Other interest	1,000,000	–		
Chan Wen Mee, May (Michelle)	Beneficial owner	Personal interest	–	12,000,000 <sup>(2)</sup>	12,000,000	0.17897%
Endo Shigeru	Beneficial owner	Personal interest	80,000	5,000,000 <sup>(2)</sup>	5,080,000	0.07576%
Cheung Wing Han, Miranda	Beneficial owner	Personal interest	–	10,000,000 <sup>(2)</sup>	10,000,000	0.14914%
Tam Yue Man	Beneficial owner	Personal interest	2,100,000	10,000,000 <sup>(2)</sup>	12,100,000	0.18046%

## Report of the Directors

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)****(I) Interests and short positions in the shares, underlying shares and debentures of the Company (Continued)**

Notes:

(1) Such shares were held by a company which is equally controlled by Mr. Fok Kin-ning, Canning and his spouse.

(2) These represented the interests in underlying shares in respect of the share options granted by the Company, the details of which are set out in the section entitled "Share Option Scheme" on pages 26 to 29.

**(II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations**

(A) Long positions in the shares of HWL

Name of Director	Capacity	Nature of interests	Number of shares of HWL held	Total	Approximate % of shareholding of HWL
Fok Kin-ning, Canning	Interest of a controlled corporation	Corporate interest	4,310,875 <sup>(1)</sup>	4,310,875	0.10111%
Lai Kai Ming, Dominic	Beneficial owner	Personal interest	50,000	50,000	0.00117%
Ko Yuet Ming	Interest of spouse	Family interest	16,000	16,000	0.00038%
Luk Tei, Lewis	Beneficial owner	Personal interest	22,270	22,270	0.00052%
Chan Wen Mee, May (Michelle)	Beneficial owner	Personal interest	531	531	0.00001%
Chow Woo Mo Fong, Susan	Beneficial owner	Personal interest	150,000	150,000	0.00352%
Edith Shih	(i) Beneficial owner	(i) Personal interest	27,200 )		
	(ii) Interest of spouse	(ii) Family interest	7,400 )	34,600	0.00081%



## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

#### (II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations (Continued)

##### (A) Long positions in the shares of HWL (Continued)

Name of Director	Capacity	Nature of interests	Number of shares of HWL held	Total	Approximate % of shareholding of HWL
Endo Shigeru	Beneficial owner	Personal interest	2,000	2,000	0.00005%
Cheung Wing Han, Miranda	Beneficial owner	Personal interest	12,000	12,000	0.00028%
Ronald Joseph Arculli	Interest of a controlled corporation	Corporate interest	11,224 <sup>(2)</sup>	11,224	0.00026%

Notes:

(1) Such shares in HWL were held by a company which is equally controlled by Mr. Fok Kin-ning, Canning and his spouse.

(2) Such shares in HWL were held by a company which is beneficially owned by Mr. Ronald Joseph Arculli.

##### (B) Long positions in the shares, underlying shares and debentures of other associated corporations

As at 31 December 2005, Mr. Fok Kin-ning, Canning had the following interests:

- (i) (a) 5,100,000 ordinary shares, representing approximately 0.75152% of the then issued share capital, in Hutchison Telecommunications (Australia) Limited ("HTAL") comprising personal and corporate interests in 4,100,000 ordinary shares and 1,000,000 ordinary shares respectively; and
- (b) 1,474,001 underlying shares in HTAL comprising personal and corporate interests in 134,000 underlying shares and 1,340,001 underlying shares respectively on conversion of the listed and physically settled 5.5% Unsecured Convertible Notes due 2007 issued by HTAL; and

## Report of the Directors

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (Continued)

#### (II) Interests and short positions in the shares, underlying shares and debentures of the associated corporations (Continued)

(B) *Long positions in the shares, underlying shares and debentures of other associated corporations (Continued)*

- (ii) corporate interests in (a) a nominal amount of US\$6,500,000 in the 6.25% Notes due 2014 issued by Hutchison Whampoa International (03/33) Limited (the "HWI(03/33) Notes"); and (b) a nominal amount of €12,600,000 in the 4.125% Notes due 2015 issued by Hutchison Whampoa Finance (05) Limited.

Mr. Fok Kin-ning, Canning held the above personal interests in his capacity as a beneficial owner and held the above corporate interests through a company which is equally controlled by Mr. Fok and his spouse.

As at 31 December 2005, Ms. Edith Shih had (i) in her capacity as a beneficial owner, personal interests in a nominal amount of US\$500,000 in the 6.5% Notes due 2013 issued by Hutchison Whampoa International (03/13) Limited (the "HWI(03/13) Notes") and in a nominal amount of US\$300,000 in the HWI(03/33) Notes; and (ii) family interests in a nominal amount of US\$100,000 in the HWI(03/13) Notes and in a nominal amount of US\$100,000 in the HWI(03/33) Notes held by her spouse.

Save as disclosed above, as at 31 December 2005, none of the Directors and chief executives of the Company and their respective associates had any interest or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be notified to the Company and the SEHK pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the SEHK.

## Report of the Directors

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO

So far as is known to the Directors and chief executives of the Company, as at 31 December 2005, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

#### (I) Interests and short positions of substantial shareholders in the shares and underlying shares of the Company

*Long positions in the shares and underlying shares of the Company*

Name	Capacity	Number of shares of the Company held	Number of underlying shares of the Company held	Total	Approximate % of shareholding of the Company
Li Ka-shing	Founder of discretionary trusts and interest of controlled corporations	4,155,284,508 <sup>(1),(3)</sup>	1,123,550,561 <sup>(2),(3)</sup>	5,278,835,069	78.73%
Li Ka-Shing Unity Trustcorp Limited ("LKSUT")	Trustee and beneficiary of a trust	4,155,284,508 <sup>(1),(3)</sup>	1,123,550,561 <sup>(2),(3)</sup>	5,278,835,069	78.73%
Li Ka-Shing Unity Trustee Corporation Limited ("LKSUTC")	Trustee and beneficiary of a trust	4,155,284,508 <sup>(1),(3)</sup>	1,123,550,561 <sup>(2),(3)</sup>	5,278,835,069	78.73%
Li Ka-Shing Unity Trustee Company Limited ("LKSUTCO")	Trustee	4,155,284,508 <sup>(1),(3)</sup>	1,123,550,561 <sup>(2),(3)</sup>	5,278,835,069	78.73%
CKH	Interest of controlled corporations	4,155,284,508 <sup>(1),(3)</sup>	1,123,550,561 <sup>(2),(3)</sup>	5,278,835,069	78.73%
HWL	Interest of a controlled corporation	4,155,284,508 <sup>(1)</sup>	1,123,550,561 <sup>(2)</sup>	5,278,835,069	78.73%
HIL	Interest of controlled corporations	4,155,284,508 <sup>(1)</sup>	1,123,550,561 <sup>(2)</sup>	5,278,835,069	78.73%
Promising Land International Inc. ("Promising Land")	Beneficial owner	4,155,284,508 <sup>(1)</sup>	–	4,155,284,508	61.97%
Uptalent	Beneficial owner	–	1,123,550,561 <sup>(2)</sup>	1,123,550,561	16.76%

## Report of the Directors

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (Continued)

#### (II) Interests and short positions of other persons in the shares and underlying shares of the Company

Long positions in the shares of the Company

Name	Capacity	Number of shares of the Company held	Approximate % of shareholding of the Company
Acefield (B.V.I.) Limited ("Acefield")	Interest of controlled corporations	670,473,579 <sup>(4)</sup>	9.99%
Reading Investments Limited ("Reading")	Beneficial owner	558,473,579 <sup>(4)</sup>	8.33%

Notes:

- (1) Promising Land is a wholly owned subsidiary of HIL, which in turn is a wholly owned subsidiary of HWL. By virtue of the SFO, HWL and HIL were deemed to be interested in the 4,155,284,508 shares of the Company held by Promising Land.
- (2) By virtue of the SFO, Uptalent, a wholly owned subsidiary of HIL, was interested in 1,123,550,561 underlying shares of the convertible note in the principal sum of US\$128,200,000 (the "Convertible Note") which may be issued pursuant to the convertible note subscription agreement in relation to the subscription of the Convertible Note. By virtue of the SFO, HWL and HIL were deemed to be interested in the 1,123,550,561 underlying shares of the Company in which Uptalent was interested.
- (3) Li Ka-Shing Unity Holdings Limited, of which each of Mr. Li Ka-shing, Mr. Li Tzar Kuoi, Victor and Mr. Li Tzar Kai, Richard is interested in one-third of the entire issued share capital, owns the entire issued share capital of LKSUTCO. LKSUTCO as trustee of The Li Ka-Shing Unity Trust, together with certain companies which LKSUTCO as trustee of The Li Ka-Shing Unity Trust is entitled to exercise or control the exercise of more than one-third of the voting power at their general meetings, hold more than one-third of the issued share capital of CKH. Subsidiaries of CKH are entitled to exercise or control the exercise of more than one-third of the voting power at the general meetings of HWL.

In addition, Li Ka-Shing Unity Holdings Limited also owns the entire issued share capital of LKSUTC as trustee of The Li Ka-Shing Unity Discretionary Trust ("DT1") and LKSUT as trustee of another discretionary trust ("DT2"). Each of LKSUTC and LKSUT holds units in The Li Ka-Shing Unity Trust.

By virtue of the SFO, each of Mr. Li Ka-shing being the settlor and may being regarded as a founder of DT1 and DT2 for the purpose of the SFO, LKSUT, LKSUTC, LKSUTCO and CKH was deemed to be interested in the 4,155,284,508 shares of the Company and the 1,123,550,561 underlying shares of the Company in which Promising Land and Uptalent were interested respectively.

- (4) 558,473,579 shares and 112,000,000 shares of the Company were held by Reading and International Toys (B.V.I.) Limited, both of which were wholly owned by Acefield, respectively. By virtue of the SFO, Acefield was deemed to be interested in an aggregate of 670,473,579 shares of the Company.

## Report of the Directors

### INTERESTS AND SHORT POSITIONS OF SHAREHOLDERS DISCLOSEABLE UNDER THE SFO (Continued)

Saved as disclosed above, as at 31 December 2005, there was no other person (other than the Directors or the chief executives of the Company) who was recorded in the register of the Company as having an interest or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2005, the following Directors of the Company had interests in the following businesses (apart from the Company's businesses) conducted through the companies named below, their subsidiaries, associated companies or other investment forms which are considered to compete or be likely to compete, either directly or indirectly, with the principal businesses of the Company conducted during the year ended 31 December 2005 required to be disclosed pursuant to Listing Rule 8.10:

Name	Name of company	Nature of interest	Nature of competing business
Fok Kin-ning, Canning	CKH	Non-executive Director	– Property development and investment
	HWL	Group Managing Director	– Property development and investment
	Cheung Kong Infrastructure Holdings Limited ("CKI")	Deputy Chairman	– Information technology and new technology
Lai Kai Ming, Dominic	HWL	Executive Director	– Property development and investment
Ko Yuet Ming	Fill Sales Services Limited ("Fill Sales")	Director	– Property investment
	Lord Young Investment Limited ("Lord Young")	Director	– Property investment holding
	Main Sales Development Limited ("Main Sales")	Director	– Property investment
Luk Tei, Lewis	Fill Sales	Director	– Property investment
	Lord Young	Director	– Property investment holding
	Main Sales	Director	– Property investment
Chow Woo Mo Fong, Susan	HWL	Deputy Group Managing Director	– Property development and investment
	CKI	Executive Director	– Information technology and new technology

## Report of the Directors

### DIRECTORS' INTERESTS IN COMPETING BUSINESS (Continued)

Name	Name of company	Nature of interest	Nature of competing business
Chow Wai Kam, Raymond	HWP	Director	– Property development and investment
Edith Shih	HIL	Director	– Property development and investment – Information technology and new technology

As the Board is independent of the boards of these entities, the Company has therefore been capable of carrying on its businesses independently of, and at arm's length from, the above businesses.

Save as disclosed above, as at 31 December 2005, none of the Directors or their respective associates had an interest in a business, apart from the businesses of the Group, which competes or is likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

### BORROWINGS

Details of the Group's borrowings are set out in notes 32, 34 and 35 to the accounts.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed securities. In addition, the Company has not redeemed any of its listed securities during the year.

### PRE-EMPTIVE RIGHTS

There was no provisions for pre-emptive rights under the Bye-Laws of the Company, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 116.

### RETIREMENT BENEFITS SCHEMES

Information on the retirement benefits schemes of the Group is set out in note 13 to the accounts.

## Report of the Directors

### MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 December 2005 attributable to the Group's major customers and suppliers are as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	19.8%	N/A
Five largest customers combined	55.9%	N/A
The largest supplier	N/A	5.1%
Five largest suppliers combined	N/A	18.0%

As at 31 December 2005, two of the five largest customers of the Group were LG Electronic Inc. and Playmates Toys (Hong Kong) Limited. Certain group companies of HWL, which is a substantial shareholder of the Company, had agreements with LG Electronic Inc. and its group companies for the supply of handsets and accessories and related services. In addition, Mr. Tam Yue Man, a Director of the Company, and/or his associates, had interests in certain shares and warrants in Playmates Holdings Limited which is the holding company of Playmates Toys (Hong Kong) Limited.

Save as disclosed above, none of the Directors, their associates or any shareholders (which to the knowledge of the Directors own more than 5% of the Company's share capital) had an interest in the major customers noted above.

### PUBLIC FLOAT

As at the date of this report, based on information available to the Company and within the knowledge of the Directors of the Company, approximately 27% of the issued share capital of the Company was held by the public.

### AUDITORS

The accounts have been audited by PricewaterhouseCoopers, who will retire and, being eligible, will offer themselves for re-appointment. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**Edith Shih**

*Director and Company Secretary*

Hong Kong, 8 March 2006