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THE WHARF (HOLDINGS) LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code: 4

CONTINUING CONNECTED TRANSACTION

On 18th January, 2006, a relocation and renewal tenancy agreement was entered into between a wholly-owned subsidiary of The Wharf (Holdings) Limited as landlord and Ferragamo Retail HK Limited as tenant in respect of certain retail premises at Ground Floor and Level 1, Ocean Centre, Harbour City, Kowloon, Hong Kong. The relevant tenancy was entered into in relation to the relocation of a Ferragamo shop previously operated by the tenant at a different location in Ocean Centre.

As Ferragamo Retail HK Limited is indirectly 40%-owned by a trust of which certain close relatives of the chairman of The Wharf (Holdings) Limited, namely, Mr. Peter Woo, are discretionary objects, the abovementioned agreement constitutes a continuing connected transaction for The Wharf (Holdings) Limited under the Listing Rules. Particulars of the transaction will be disclosed in the annual report and accounts of the Company for each of the relevant subsequent financial years in accordance with Rule 14A.46 of the Listing Rules.

INTRODUCTION

On 18th January, 2006, Wharf Realty Limited (“**WRL**”), a wholly-owned subsidiary of The Wharf (Holdings) Limited (“**Wharf**” or the “**Company**”; together with its subsidiaries, the “**Group**”), as landlord, entered into a relocation and renewal tenancy agreement (the “**Agreement**”) with a connected person of Wharf, namely, Ferragamo Retail HK Limited (“**FRHL**”), as tenant, in respect of certain retail premises in Ocean Centre, which is a commercial building owned by WRL. FRHL previously operated a Ferragamo shop at a different location in Ocean Centre, the shop previously operated at that location being of a smaller size than that to be operated at the new location under the Agreement. Following negotiations, it has been agreed between the parties to relocate that Ferragamo shop, which ceased operation last year, from the previous location to the new location as provided under the Agreement.

DETAILS OF THE AGREEMENT

Agreement Date: 18th January, 2006

- Parties:** WRL as the landlord and FRHL as the tenant
- Premises to be let:** Certain retail premises of a total lettable area of 6,210 square feet at Ground Floor and Level 1, Ocean Centre, Harbour City, Kowloon, Hong Kong
- Term:** Three years from 20th January, 2006 to 19th January, 2009.
- Rent:** Under the Agreement, the rent, exclusive of rates, air-conditioning charges and management fees, is payable on monthly basis at about HK\$1.12 million per month for the first year, HK\$1.17 million per month for the second year and HK\$1.23 million per month for the third year (being the base rent), or 15% of monthly gross sales (being the turnover rent), whichever is the higher. The unit base rent, on per square foot basis, under the Agreement for the first year is about 9.9% higher than that for the last year of the former tenancy in respect of the previous location of the Ferragamo shop, while the 15% turnover rent under the Agreement is the same as that provided under the former tenancy. The rent receivable under the Agreement is no less favourable to WRL than those available from independent third parties.

As the aggregate base rent or turnover rent, whichever applicable, receivable by WRL for each of the three fiscal years of the Company ending 31st December, 2008 will exceed the *de minimis* level under Rule 14A.33(3) of the Listing Rules, the parties have agreed to adopt an annual cap amount for the rent, as required by Rule 14A.35(2) of the Listing Rules, for each of the three financial years of the Company ending 31st December, 2006, 2007 and 2008 respectively. Such annual cap amount for each of those three financial years is HK\$22.36 million (the “**Annual Cap Amount**”), which is in line with a performance projection of the Group based on an upside scenario and represent the expected highest possible turnover rent receivable with reference to (i) the historic trading records in respect of comparable retail premises at Ocean Centre, and (ii) possible buoyant retail sentiment and environment in the next several years. For the financial year ending 31st December, 2009, the remaining duration of the Agreement will be for a very short period of 19 days, and therefore the rent receivable by WRL during that financial year will fall within the *de minimis* level as prescribed under Rule 14A.33(3) of the Listing Rules.

GENERAL

The principal business activities of the Group are ownership of properties for letting, property development and investment, container terminals and communications, media and entertainment, and that of FRHL is retail sale of high quality men’s and ladies’ fashion and

related accessories. With ownership of properties for letting being one of the Group's principal business activities, rental income is an important recurrent income source of the Group. The stable and satisfactory rental revenue to be generated from the tenancy under the Agreement is therefore beneficial to the Group.

As at the date of this announcement, the board of directors of the Company comprises Mr. Peter K. C. Woo, Mr. Gonzaga W. J. Li, Mr. Stephen T. H. Ng, Mr. Erik B. Christensen, Ms. Doreen Y. F. Lee and Mr. T. Y. Ng, together with six independent non-executive directors, namely, Mr. Paul M. P. Chan, Professor Edward K. Y. Chen, Dr. Raymond K. F. Ch'ien, Hon. Vincent K. Fang, Mr. Hans Michael Jebsen and Mr. James E. Thompson.

The Company has engaged Chesterton Petty Limited ("**Chesterton**"), professional property consultants, to review the Agreement. On the basis of the advice received from Chesterton, the directors (except Mr. Peter Woo who abstained from participating in the approval of the Agreement due to conflict of interest), including independent non-executive directors, of the Company believe that the Agreement, the terms therein and/or the terms of the transaction (including the Annual Cap Amount) are on normal commercial terms with reference to the prevailing market conditions, are fair and reasonable and are in the interests of the Company and its shareholders as a whole. Furthermore, the Agreement is entered into in the ordinary and usual course of business of the Group after due negotiations on an arm's length basis with reference to the prevailing market conditions.

REGULATORY ASPECTS

As FRHL is indirectly 40%-owned by a trust of which certain close relatives of the chairman of the Company, namely, Mr. Peter Woo, are discretionary objects, the Agreement constitutes a continuing connected transaction for the Company under the Listing Rules.

As the Annual Cap Amount for the rent receivable by WRL under the Agreement represents less than 2.5% in respect of the applicable percentage ratios of the Company, no independent shareholders' approval is required. Particulars of the transaction will be disclosed in the annual report and accounts of the Company for each of the relevant financial years in accordance with Rule 14A.46 of the Listing Rules.

By Order of the Directors
Wilson W. S. Chan
Company Secretary

Hong Kong, 18th January, 2006

"Please also refer to the published version of this announcement in The Standard and Hong Kong Economic Journal as of 19th January, 2006."