

Directors' Report

The Directors have pleasure in presenting to shareholders their report for the year ended 31 December 2006.

Principal Activities

The principal activity of the Company is holding its subsidiary companies and the principal activities of its subsidiary companies and associated companies and their major areas of operation are set out in the Business Review on pages 6 to 27.

Dividends

The Directors declared an interim dividend of HK\$0.30 per share and a special dividend of HK\$0.30 per share in respect of the year ended 31 December 2006 which were paid on 15 September 2006. The Directors recommended, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of HK\$0.80 per share and a special dividend of HK\$0.30 per share in respect of the year ended 31 December 2006 payable on 18 May 2007 to shareholders on the Register of Members at the close of business on 16 May 2007.

Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 23 to the accounts.

Donations

Donations made by the Group during the year amounted to HK\$11 million.

Fixed Assets

Movements of fixed assets are set out in the Financial Statements on pages 99 to 102.

Major Customers and Suppliers

The percentage of purchases and sales with the Group's suppliers and customers are as follows:

purchases	2006	2005
The largest supplier	5	3
Five largest suppliers combined	10	11

The aggregate percentage of sales to the Group's five largest customers is less than 30%.

No directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) were interested at any time in the year in the above suppliers or customers.

Subsidiary Companies

The names of the principal subsidiary companies, their principal places of operation, their countries of incorporation and particulars of their issued share capital are set out in Note 31 to the accounts.

Issue of Debt Securities

On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly owned subsidiary of the Company, issued and sold a total of US\$450 million principal amount of 7.625% guaranteed notes due 2011 ('Guaranteed Notes') for refinancing the indebtedness of the Company and for general corporate purposes, to investors pursuant to the purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at the end of the year.

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, issued and sold JPY 8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ('JPY Notes') to investors for general corporate purposes pursuant to a subscription agreement dated 26 October 2005. The coupon and principal of the JPY Notes was swapped into Hong Kong Dollar through cross currency swap and net proceeds equivalent to HK\$400 million was received. The JPY Notes holders have a one time right to put the JPY Notes to the issuer at 81.29% of the principal amount together with accrued interest on 28 October 2015. All of the JPY Notes remained outstanding at the end of the year.

Save as aforesaid, neither the Company nor its subsidiary companies have issued any debt securities.

Borrowings

Particulars of borrowings of the Group are set out in Note 24 to the accounts.

Directors

With effect from 1 April 2006, Mr Yao Jinrong resigned as director and Messrs Chau Chi Yin, Milton Law Ming To and Wang Ande were appointed as executive directors of the Company. In addition, Mr Chang Zhenming was appointed as a director of the Company with effect from 21 August 2006 and Mr Norman Yuen Kee Tong resigned as director with effect from 8 January 2007. Except for these changes, the directors of the Company whose names and biographical details appear on pages 57 to 59 were the directors in office during the financial year ended 31 December 2006.

In accordance with Article 95 of the New Articles of Association of the Company, Mr Chang Zhenming will hold office only until the forthcoming Annual General Meeting and is then eligible for re-election. In addition, pursuant to Article 104(A) of the New Articles of Association of the Company, Messrs Larry Yung Chi Kin, Peter Lee Chung Hing, Vernon Francis Moore, Liu Jifu, Willie Chang and Norman Ho Hau Chong shall retire by rotation in the forthcoming Annual General Meeting and all, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the new independence guidelines under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ('Listing Rules') and that the Company still considers such directors to be independent.

Management Contract

The Company entered into a management agreement with CITIC Hong Kong (Holdings) Limited ('CITIC HK') on 11 April 1991 but with retrospective effect from 1 March 1990 in which CITIC HK agreed to provide management services to the Company and its subsidiary companies for a management fee calculated on a cost basis to CITIC HK payable quarterly in arrears. The management agreement is terminable by two months' notice by either party. Messrs Larry Yung Chi Kin, Henry Fan Hung Ling, Vernon Francis Moore and Liu Jifu had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the Annual General Meeting of the Company to be held on 16 May 2007.

Directors' Interests in Contracts of Significance

None of the directors of the Company has or at any time during the year had, an interest which is or was material, either directly or indirectly, in any contract with the Company or any of its subsidiary companies, which was significant in relation to the business of the Company, and which was subsisting at the end of the year or which had subsisted at any time during the year.

Connected Transactions

Connected transactions disclosed in accordance with the Listing Rules are as follows:

1. On 8 June 2006, Air China Limited ('Air China'), Cathay Pacific Airways Limited ('Cathay'), China National Aviation Company Limited ('CNAC'), the Company and Swire Pacific Limited ('Swire Pacific') entered into the restructuring agreement in relation to the restructuring of the parties' shareholdings in Cathay and Hong Kong Dragon Airlines Limited ('Dragonair') so that ultimately (1) Dragonair becomes a wholly owned subsidiary of Cathay, (2) Air China becomes a substantial shareholder of Cathay and (3) Cathay increases its shareholding in Air China. At the date of the restructuring agreement, the Company held approximately 28.5% interest in Dragonair and 25.4% in Cathay. Pursuant to the restructuring agreement, inter alia, (i) Cathay agreed to acquire all the Dragonair shares which it did not already own for a total consideration of HK\$8.22 billion (based on a valuation of Dragonair of HK\$20.00 per Dragonair share) to be satisfied by a combination of the issue of new Cathay shares at an issue price of HK\$13.50 per share and HK\$0.82 billion in cash; (ii) Swire Pacific and the Company agreed to sell to Air China 40,128,292 and 359,170,636 Cathay shares respectively at HK\$13.50 each; and (iii) Swire Pacific and the Company agreed to sell on or before completion of the transaction, such number of Cathay shares so that their respective shareholding in Cathay would be 40% and 17.50% respectively. The transaction allowed the Company to realise cash of approximately HK\$5 billion. On the same day, Swire Pacific, CNAC, the Company and Air China also entered into a shareholders agreement to regulate their relationship as shareholders of Cathay.

Swire Pacific is a substantial shareholder of a subsidiary of the Company. Cathay is an associate of Swire Pacific and therefore is a connected person of the Company.

2. Pursuant to a disposal agreement dated 24 July 2006 ('the Disposal Agreement') entered into between Jilin Provincial Energy & Communications Corporation ('Jilin Provincial Energy') and Master Port Investment Ltd. ('Master Port'), a wholly owned subsidiary of the Company, Master Port sold to Jilin Provincial Energy its 60% equity interest in the registered capital of Jilin Xinli Power Cogeneration Co., Ltd. ('the JV Company'). Although no payment is being made to the Company for the aforesaid disposal, before completion, Jilin Provincial Energy would obtain the relevant bank confirmations to release the Company from all its guarantee obligations extended to the JV Company, which amounted to approximately RMB624 million (approximately HK\$606 million) as at 30 June 2006. The JV Company is a sino-foreign equity joint venture established in the People's Republic of China ('PRC') and owns a coal-fired co-generation power station in Jilin Province in the PRC.

Jilin Provincial Energy is a substantial shareholder of the JV Company (having an approximately 34%), and accordingly a connected person of the Company.

3. Pursuant to the sale and purchase agreement and the supplemental agreement both dated 5 October 2006 entered into between Eldwin Corporation ('Eldwin'), a wholly owned subsidiary of the Company, and Shanghai Jingan City Trading Co., Ltd. ('Jingan'), Eldwin acquired from Jingan a 10% equity interest in Shanghai CITIC Square Co., Ltd. ('CITIC Square Co.') (which in turn holds 100% in CITIC Square) at the consideration of RMB245 million. CITIC Square is situated at Nanjing Xi Lu which is the prime location of commercial and business hub in Shanghai.

As Jingan is a substantial shareholder of CITIC Square Co., a subsidiary of the Company, Jingan is a connected person of the Company.

4. Pursuant to the sale and purchase agreement ('the S/P Agreement') dated 22 December 2006 entered into between Eldwin, Swire Properties Limited ('Swire Properties') and the Company as guarantor of Eldwin, Eldwin acquired from Swire Properties the remaining 16.67% interest in Join Resources Limited ('Join Resources') (in which Eldwin owned 83.33% as at the date of signing of the S/P Agreement) and all related shareholder's loan at the consideration of approximately HK\$214 million and approximately HK\$66 million respectively. As at the date of the signing of the S/P Agreement, Join Resources was a 83.33% subsidiary of the Company and held 60% interest in CITIC Square Co. After completion of the acquisition as mentioned in this item 4 and the above item 3, CITIC Square Co. became a wholly owned subsidiary of the Company.

As Swire Properties is a substantial shareholder of Join Resources, a subsidiary of the Company, Swire Properties is a connected person of the Company.

Share Option Plan

The Company adopted the CITIC Pacific Share Incentive Plan 2000 ('the Plan') on 31 May 2000. The major terms of the Plan are as follows:

1. The purpose of the Plan is to promote the interests of the Company and its shareholders by (i) providing the participants with additional incentives to continue and increase their efforts in achieving success in the business of the Company, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of the Company.
2. The participants of the Plan are any director, executive or employee of the Company or its subsidiaries as invited by the Board.
3. The maximum number of shares over which options may be granted under the Plan shall not exceed 10% of (i) the issued share capital of the Company from time to time or (ii) the issued share capital of the Company as at the date of adopting the Plan, whichever is the lower. As at 15 March 2007, the maximum number of shares available for issue under the Plan is 179,983,316, representing approximately 8.17% of the issued share capital.
4. No participant shall be granted an option which, if exercised in full, would result in such participant's maximum entitlement to exceed 25 per cent of the maximum aggregate number of shares subject to the Plan.
5. The exercise period of any option granted under the Plan must not be more than ten years commencing on the date of grant.
6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
7. The exercise price determined by the Board will be at least the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ('Stock Exchange') on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant and (iii) the nominal value of the Company's shares.
8. The Plan shall be valid and effective till 30 May 2010.

Since the adoption of the Plan, the Company has granted three lots of share options:

date of grant	number of share options	exercise price HK\$
28 May 2002	11,550,000	18.20
1 November 2004	12,780,000	19.90
20 June 2006	15,930,000	22.10

All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant. The closing price of the Company's shares immediately before the grant on 20 June 2006 was HK\$22.50.

None of the share options granted under the Plan were cancelled or lapsed during the year up to 31 December 2006. A summary of the movements during the year ended 31 December 2006 of the share options is as follows:

A. Directors of the Company

name of director	date of grant	exercise price HK\$	number of share options				percentage of issued share capital %
			balance as at 1.1.06	granted during the year ended 31.12.06	exercised during the year ended 31.12.06	balance as at 31.12.06	
Larry Yung Chi Kin	28.5.02	18.2	2,000,000	–	–	2,000,000	4.828
	1.11.04	19.9	2,000,000	–	–	2,000,000	
	5.12.05	20.5	100,000,000 (Note 1)	–	–	100,000,000	
	20.6.06	22.1	–	2,000,000	–	2,000,000	
						106,000,000	
Henry Fan Hung Ling	20.6.06	22.1	–	1,600,000	1,600,000 (Note 2)	–	–
Peter Lee Chung Hing	28.5.02	18.2	1,000,000	–	–	1,000,000	0.146
	1.11.04	19.9	1,000,000	–	–	1,000,000	
	20.6.06	22.1	–	1,200,000	–	1,200,000	
						3,200,000	
Carl Yung Ming Jie	28.5.02	18.2	300,000	–	–	300,000	0.064
	1.11.04	19.9	500,000	–	–	500,000	
	20.6.06	22.1	–	600,000	–	600,000	
						1,400,000	
Leslie Chang Li Hsien	28.5.02	18.2	300,000	–	–	300,000	0.073
	1.11.04	19.9	500,000	–	–	500,000	
	20.6.06	22.1	–	800,000	–	800,000	
						1,600,000	
Norman Yuen Kee Tong	28.5.02	18.2	500,000	–	–	500,000	0.068
	1.11.04	19.9	500,000	–	–	500,000	
	20.6.06	22.1	–	500,000	–	500,000	
						1,500,000	
Vernon Francis Moore	28.5.02	18.2	1,000,000	–	–	1,000,000	0.123
	1.11.04	19.9	1,000,000	–	–	1,000,000	
	20.6.06	22.1	–	700,000	–	700,000	
						2,700,000	

name of director	date of grant	exercise price HK\$	number of share options			balance as at 31.12.06	percentage of issued share capital %
			balance as at 1.1.06	granted during the year ended 31.12.06	exercised during the year ended 31.12.06		
Yao Jinrong	28.5.02	18.2	300,000	–	–	(Note 3)	(Note 3)
	1.11.04	19.9	500,000	–	–		
Li Shilin	28.5.02	18.2	300,000	–	–	300,000	0.014
Liu Jifu	28.5.02	18.2	300,000	–	300,000	–	
	1.11.04	19.9	500,000	–	–	500,000	
	20.6.06	22.1	–	700,000	–	700,000	
						1,200,000	0.055
Chau Chi Yin	28.5.02	18.2	300,000	–	–	300,000	
			(Note 4)				
	1.11.04	19.9	500,000	–	–	500,000	
			(Note 4)				
	20.6.06	22.1	–	800,000	–	800,000	
			(Note 4)				
						1,600,000	0.073
Milton Law Ming To	28.5.02	18.2	250,000	–	–	250,000	
			(Note 4)				
	1.11.04	19.9	500,000	–	–	500,000	
			(Note 4)				
	20.6.06	22.1	–	800,000	–	800,000	
			(Note 4)				
						1,550,000	0.071
Wang Ande	1.11.04	19.9	200,000	–	–	200,000	
			(Note 4)				
	20.6.06	22.1	–	500,000	–	500,000	
			(Note 4)				
						700,000	0.032

Note:

1. These share options were granted by CITIC HK, a substantial shareholder of the Company, and can be exercised during the period from 5 December 2008 to 4 December 2010.
2. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$22.918.
3. The Director resigned as a director on 1 April 2006. During the period from 1 January 2006 to 1 April 2006, the Director has not exercised any of his share options and his holding has subsequently been included under Section C below.
4. Messrs Chau Chi Yin, Milton Law Ming To and Wang Ande were appointed as director of the Company on 1 April 2006. Thus, this is in respect of the balance as of 1 April 2006.

B. Employees of the Company working under continuous contracts (as defined in the Employment Ordinance), other than the Directors

date of grant	exercise price HK\$	number of share options			balance as at 31.12.06
		balance as at 1.1.06	granted during the year ended 31.12.06	exercised during the year ended 31.12.06 (Note 5)	
28.5.02	18.2	1,550,000	–	750,000	800,000
1.11.04	19.9	3,070,000	–	651,000	2,419,000
20.6.06	22.1	–	5,730,000	–	5,730,000

Note:

5. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$25.55.

C. Others

date of grant	exercise price HK\$	number of share options		balance as at 31.12.06
		balance as at 1.1.06 (Note 6)	exercised during the year ended 31.12.06 (Note 7)	
28.5.02	18.2	600,000	510,000	90,000
1.11.04	19.9	700,000	500,000	200,000

Note:

6. These are in respect of options granted to former employees under continuous contracts, who had subsequently retired.

7. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$22.78.

The fair value of an option on one CITIC Pacific share granted in the current period measured as at the date of grant of 20 June 2006 was HK\$3.92 based on the following assumptions using the Binomial Model:

- Taking into account the probability of early exercise behaviour, the average expected term of the grant was determined to be 3.93 years
- Expected volatility of CITIC Pacific's share price at 25% per annum (based on historical movements of share prices over last 4 years)
- Expected annual dividend yield of 5% (based on historical dividend payments)
- Rate of eligible grantees leaving service assumed at 1% per annum
- Early exercise assumption for option holders to exercise their options when the share price is at least 150% of the exercise price
- Risk-free interest rate of 4.69% per annum (based on linearly interpolated yields of the Hong Kong Exchange Fund Notes as at the grant date)

The result of the Binomial Model can be materially affected by changes in these assumptions so an option's actual value may differ from the estimated fair value of the options due to limitations of the Model.

All the options forfeited before expiry of the Plan will be treated as lapsed options which will not be added back to the number of shares available to be issued under the Plan.

The total expense to be recognised in the Company's profit and loss account for the year ended 31 December 2006 in respect of the grant of the aforesaid 15,930,000 options is HK\$62,445,600.00.

Directors' Interests In Securities

The interests of the directors in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ('SFO')) as at 31 December 2006 as recorded in the register required to be kept under section 352 of the SFO were as follows:

1. Shares in the Company

name of director	number of shares		percentage to the issued share capital %
	personal interests unless otherwise stated		
Larry Yung Chi Kin	400,381,000 <i>(Note 1)</i>		18.236
Henry Fan Hung Ling	48,000,000 <i>(Note 2)</i>		2.186
Peter Lee Chung Hing	500,000		0.023
Leslie Chang Li Hsien	30,000		0.001
Norman Yuen Kee Tong	33,000		0.002
Vernon Francis Moore	3,200,000 <i>(Note 3)</i>		0.146
Liu Jifu	340,000		0.015
Chau Chi Yin	236,000		0.011
Milton Law Ming To	3,000		0.0001
Wang Ande	50,000		0.002
Hansen Loh Chung Hon	1,550,000 <i>(Note 4)</i>		0.071
André Desmarais	5,075,000 <i>(Note 5)</i>		0.231
Peter Kruyt (alternate director to Mr André Desmarais)	34,100		0.002

Note:

1. Corporate interest.
2. Corporate interest in respect of 3,000,000 shares and trust interest in respect of 45,000,000 shares.
3. Trust interest.
4. Personal interest in respect of 1,050,000 shares; corporate interest in respect of 500,000 shares and family interest in respect of 500,000 shares which duplicate each other.
5. Corporate interest in respect of 5,000,000 shares and family interest in respect of 75,000 shares.

2. Share Options in the Company

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in detail in the preceding section of Share Option Plan.

3. Share Options in an associated corporation, CITIC Capital Holdings Limited

name of director	date of grant	number of share options			balance as at 31.12.06	percentage of issued share capital %
		balance as at 1.1.06	granted during the year ended 31.12.06	lapsed / cancelled / exercised during the year ended 31.12.06		
Peter Lee Chung Hing	2.3.05	15,000	–	–	25,000	0.089
	4.4.06	–	10,000			
Leslie Chang Li Hsien	2.3.05	15,000	–	–	25,000	0.089
	4.4.06	–	10,000			
Vernon Francis Moore	2.3.05	15,000	–	–	25,000	0.089
	4.4.06	–	10,000			

Save as disclosed above, as at 31 December 2006, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its subsidiary companies a party or parties to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Substantial Shareholders

As at 31 December 2006, the interests of the substantial shareholders, other than the directors of the Company or their respective associate(s), in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

name	number of shares of the Company	percentage to the issued share capital %
CITIC Group	635,919,285	28.963
CITIC HK	635,919,285	28.963
Heedon Corporation	496,386,285	22.608
Honpville Corporation	310,988,221	14.164
Power Corporation of Canada	110,412,000	5.029
Gelco Enterprises Ltd.	110,412,000	5.029
Nordex Inc.	110,412,000	5.029
Paul G. Desmarais	110,412,000	5.029

CITIC HK is a substantial shareholder of the Company indirectly through the following wholly owned subsidiary companies:

name of subsidiary companies of CITIC HK	number of shares of the Company	percentage to the issued share capital %
Affluence Limited	46,089,000	2.099
Winton Corp.	30,718,000	1.399
Westminster Investment Inc.	101,960,000	4.644
Jetway Corp.	20,462,000	0.932
Cordia Corporation	32,258,064	1.469
Honpville Corporation	310,988,221	14.164
Hainsworth Limited	83,444,000	3.801
Southpoint Enterprises Inc.	10,000,000	0.455
Raymondford Company Limited	2,823,000	0.129

Each of Affluence Limited, Winton Corp., Westminster Investment Inc., Jetway Corp., Cordia Corporation, Honpville Corporation, Hainsworth Limited, Southpoint Enterprises Inc. and Raymondford Company Limited holds the shares of the Company beneficially. Accordingly, Honpville Corporation is a substantial shareholder of the Company.

CITIC Group is the direct holding company of CITIC HK. CITIC HK is the direct holding company of Heedon Corporation, Hainsworth Limited, Affluence Limited and Barnsley Investments Limited. Heedon Corporation is the direct holding company of Winton Corp., Westminster Investment Inc., Jetway Corp., Kotron Company Ltd. and Honpville Corporation and Kotron Company Ltd. is the direct holding company of Cordia Corporation. Affluence Limited is the direct holding company of Man Yick Corporation which is the direct holding company of Raymondford Company Limited. Barnsley Investments Limited is the direct holding company of Southpoint Enterprises Inc. Accordingly, the interests of CITIC Group in the Company duplicate the interests of CITIC HK in the Company. The interests of CITIC HK in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above. The interests of Heedon Corporation in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above. The interests of Affluence Limited in the Company duplicate the interests in the Company of its direct subsidiary company as described above. The interests of Man Yick Corporation in the Company duplicate the interests in the Company of its direct subsidiary company as described above. The interests of Barnsley Investments Limited in the Company duplicate the interests in the Company of its direct subsidiary company as described above and the interests of Kotron Company Ltd. in the Company duplicate the interests in the Company of its direct subsidiary company as described above.

Power Corporation of Canada is a company 54.18% controlled by Gelco Enterprises Ltd. which in turn is 94.95% controlled by Nordex Inc. and the remainder by Mr Paul G. Desmarais. Nordex Inc. in turn is 68% controlled directly by Mr Paul G. Desmarais and indirectly as to 32% by the latter. Thus, the aforesaid interests of Power Corporation of Canada, Gelco Enterprises Ltd., Nordex Inc. and Mr Paul G. Desmarais in the Company duplicate each other.

Share Capital

During the year ended 31 December 2006, the Company made the following repurchases of its own shares on the Stock Exchange for purpose of enhancing its earnings per share:

month / year	number of shares repurchased	price per share		aggregate price paid (HK\$)
		highest (HK\$)	lowest (HK\$)	
June 2006	1,627,000	22.00	21.50	35,402,100

These repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profit. An amount equivalent to the nominal value of the shares cancelled of approximately HK\$1 million was transferred from retained profit to capital redemption reserve.

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2006 and the Company has not redeemed any of its shares during the year ended 31 December 2006.

During the year, 4,311,000 shares were issued under the Share Option Plan as described above.

Service Contracts

As at 31 December 2006, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director proposed for re-election at the forthcoming Annual General Meeting.

Continuing Disclosure Requirements Under Rule 13.22 Of The Listing Rules

The Company has included a proforma combined balance sheet of the relevant affiliated companies as required therein under Rule 13.22 of the Listing Rules. Affiliated companies include associated companies and jointly controlled entities.

Proforma Combined Balance Sheet of Affiliated Companies

<i>in HK\$ million</i>	Group's attributable interest as at 31 December 2006
Fixed Assets	3,426
Jointly Controlled Entities	393
Other Financial Assets	2
Intangible Assets	10
Deferred Tax Assets	3
Pension Assets	28
Long Term Receivable	2,107
Net Current Assets	1,985
Total Assets Less Current Liabilities	7,954
Long Term Borrowings	(1,080)
Deferred Tax Liabilities	(148)
Loans from Shareholders	(4,697)
	2,029

Note:

Details of attributable interest of the Company and / or its subsidiary company in the affiliated companies as disclosed in Notes to the Accounts no. 31 of Financial Statements.

Auditors

The accounts for the year have been audited by PricewaterhouseCoopers who shall retire and, being eligible, shall offer themselves for re-appointment.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2006.

By Order of the Board,
Larry Yung Chi Kin *Chairman*
Hong Kong, 15 March 2007