

REPORT OF THE DIRECTORS

The directors present their annual report together with the audited consolidated financial statements of Pacific Century Premium Developments Limited (the “Company”) and its subsidiaries (the “Group”) for the year ended December 31, 2006.

PRINCIPAL ACTIVITIES

The Group is principally engaged in the development of premium properties in Asia and the investment in premium-grade buildings or substantial parts thereof in Asia.

Details of segment information are set out in note 5 to the consolidated financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended December 31, 2006 are set out in the accompanying consolidated income statement in page 54.

An interim dividend of 1.5 Hong Kong cents (2005: 1.5 Hong Kong cents) per ordinary share, totalling approximately HK\$36 million (2005: HK\$36 million), was paid to shareholders of the Company on October 13, 2006.

The board of directors (the “Board”) has recommended the payment of a final dividend of 5.5 Hong Kong cents (2005: 5.5 Hong Kong cents) per ordinary share or an aggregate amount of approximately HK\$132 million (2005: HK\$132 million) for the year ended December 31, 2006, subject to the approval of shareholders of the Company at the forthcoming annual general meeting, to shareholders whose names appear on the register of members of the Company on May 10, 2007. Such final dividend is payable on or around May 23, 2007.

FINANCIAL SUMMARY

A summary of the consolidated results and the assets and liabilities of the Group for the last five financial years is set out in page 134.

SUBSIDIARIES

Particulars of the Company’s principal subsidiaries are set out in note 18 to the consolidated financial statements.

FIXED ASSETS

Details of movements in investment properties, property, plant and equipment, properties under development/held for sale and interest in leasehold land of the Group and the Company during the year are set out in notes 13 to 16 to the consolidated financial statements.

BORROWINGS

Particulars of the borrowings of the Group and the Company are set out in note 21 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the consolidated statement of changes in equity in page 55 and note 26 to the consolidated financial statements respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended December 31, 2006, the aggregate sales attributable to the Group's five largest customers represented approximately 21.11 per cent of the Group's total sales, while the sales to the Group's largest customer accounted for approximately 5.41 per cent of the Group's total sales. The aggregate purchases attributable to the Group's five largest suppliers represented approximately 56.43 per cent of the Group's total purchases, while the purchases from the Group's largest supplier accounted for approximately 28.67 per cent of the Group's total purchases.

At no time during the year have the directors, their associates or any shareholders of the Company who, to the knowledge of the directors, owned more than 5 per cent of the Company's issued share capital had any interest in the Group's major customers or suppliers.

REPORT OF THE DIRECTORS

DIRECTORS

The directors who held office during the year and up to the date of this report were:

Executive Directors

Li Tzar Kai, Richard (*Chairman*)

Lee Chi Hong, Robert (*Chief Executive Officer*)

Alexander Anthony Arena

James Chan

Gan Kim See, Wendy

Yuen Tin Fan, Francis (*Deputy Chairman*)

(resigned on June 5, 2006)

Hubert Chak (*Chief Financial Officer*)

(resigned on February 9, 2007)

Independent Non-Executive Directors

Cheung Kin Piu, Valiant

Tsang Link Carl, Brian

Prof Wong Yue Chim, Richard, SBS, JP

Dr Allan Zeman, GBS, JP

(re-designated as Independent Non-Executive Director on July 18, 2006)

Ronald James Blake, OBE, JP

(resigned on March 17, 2006)

In accordance with Bye-laws 87(1) and 87(2) of the Company's Bye-laws, Lee Chi Hong, Robert shall retire by rotation at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In addition, all non-executive directors are appointed for a term of 2 years. As Cheung Kin Piu, Valiant and Tsang Link Carl, Brian were re-elected as directors at the annual general meeting in 2005, they shall retire at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive directors a written confirmation of his independence for the year pursuant to Rule 3.13 of the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and considers that they are independent.

DIRECTORS’ SERVICE CONTRACTS

Lee Chi Hong, Robert had entered into a service contract with a wholly-owned subsidiary of the Company which may be terminated by either party on six months’ notice.

Each of James Chan and Gan Kim See, Wendy had entered into a service contract with a wholly-owned subsidiary of the Company which may be terminated by either party on three months’ notice.

The non-executive directors were appointed for a term of two years from the date of appointment or re-election.

Save as disclosed above, no director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

DIRECTORS’ AND CHIEF EXECUTIVE’S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at December 31, 2006, the directors and the chief executive of the Company and their associates had the following interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”)) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) were recorded in the register required to be kept under Section 352 of the SFO; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) of the Listing Rules :

1. The Company

As at December 31, 2006, the Company had not been notified of any interests or short positions in the shares or underlying shares or debentures of the Company held by the directors or the chief executive of the Company or their associates.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – CONTINUED

2. Associated Corporation of the Company

A. Interests in PCCW Limited (“PCCW”)

The table below sets out the aggregate long positions of the directors and the chief executive of the Company in the shares and underlying shares of PCCW, the ultimate holding company of the Company, as at December 31, 2006.

Name of director/ chief executive	Number of ordinary shares				Number of underlying shares held under equity derivatives	Total	Percentage of issued share capital
	Personal interests	Family interests	Corporate interests	Other interests			
Li Tzar Kai, Richard	—	—	250,109,824 <i>(Note I(a))</i>	1,590,377,444 <i>(Note I(b))</i>	—	1,840,487,268	27.27%
Lee Chi Hong, Robert	992,600 <i>(Note III(a))</i>	511 <i>(Note III(b))</i>	—	—	6,000,000 <i>(Note II)</i>	6,993,111	0.10%
Alexander Anthony Arena	760,000	—	—	—	15,800,200 <i>(Note IV)</i>	16,560,200	0.25%
Hubert Chak	—	—	—	—	2,840,000 <i>(Note II)</i>	2,840,000	0.04%
James Chan	—	—	—	—	210,000 <i>(Note II)</i>	210,000	0.003%
Gan Kim See, Wendy	—	—	—	—	420,000 <i>(Note II)</i>	420,000	0.006%

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – CONTINUED

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited (“PCCW”) - Continued

Notes:

- I. (a) Of these shares of PCCW, Pacific Century Diversified Limited (“PCD”), a wholly-owned subsidiary of Chiltonlink Limited, held 216,362,824 shares and Eisner Investments Limited held 33,747,000 shares. Li Tzar Kai, Richard owns 100% of Chiltonlink Limited and Eisner Investments Limited.
- (b) These interests represented:
- (i) a deemed interest in 36,726,857 shares of PCCW held by Yue Shun Limited, a subsidiary of Hutchison Whampoa Limited (“HWL”). Cheung Kong (Holdings) Limited (“Cheung Kong”) through certain subsidiaries held more than one-third of the issued share capital of HWL. Li Tzar Kai, Richard was a discretionary beneficiary of certain discretionary trusts which held units in unit trusts which in turn held interests in certain shares of Cheung Kong and HWL. Li Tzar Kai, Richard was also interested in one-third of the issued share capital of two companies, which owned all the shares in the trustee companies which acted as trustees of such discretionary trusts and unit trusts. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 36,726,857 shares of PCCW held by Yue Shun Limited;
 - (ii) a deemed interest in 26,877,286 shares of PCCW held by Pacific Century Group Holdings Limited (“PCGH”). Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 26,877,286 shares of PCCW held by PCGH; and
 - (iii) a deemed interest in 1,526,773,301 shares of PCCW held by Pacific Century Regional Developments Limited (“PCRD”), a company in which PCGH had, through wholly-owned subsidiaries Anglang Investments Limited, Pacific Century Group (Cayman Islands) Limited, Pacific Century International Limited and Borsington Limited, an aggregate of 75.33% interest. Li Tzar Kai, Richard was the founder of certain trusts which held 100% interests in PCGH. Accordingly, Li Tzar Kai, Richard was deemed, under the SFO, to have an interest in the 1,526,773,301 shares of PCCW held by PCRD.

REPORT OF THE DIRECTORS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – CONTINUED

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited (“PCCW”) - Continued

Notes: - Continued

II. These interests represented the interests in underlying shares in respect of share options granted by PCCW to the directors and the chief executive of the Company as beneficial owners as at December 31, 2006, details of which are set out as follows:

Name of director/ chief executive	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of options	
					Outstanding at 01.01.2006	Outstanding at 12.31.2006
Lee Chi Hong, Robert	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	5,000,000	5,000,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.475	1,000,000	1,000,000
Alexander Anthony Arena	08.28.1999	08.17.2000 to 08.17.2004	08.17.2000 to 08.17.2009	11.780	3,200,000	3,200,000
	08.26.2000	08.26.2001 to 08.26.2005	08.26.2001 to 08.26.2010	60.120	1,600,000	1,600,000
	02.20.2001	08.26.2001 to 08.26.2005	08.26.2001 to 01.22.2011	16.840	1,600,000	1,600,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	6,400,000	6,400,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.475	3,000,000	3,000,000
Hubert Chak	11.06.1999	10.25.2000 to 10.25.2002	10.25.2000 to 10.25.2009	22.760	300,000	300,000
	02.20.2001	01.22.2002 to 01.22.2006	01.22.2002 to 01.22.2011	16.840	300,000	300,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	240,000	240,000
	02.08.2005	02.08.2006 to 02.08.2007	02.08.2006 to 02.07.2009	4.475	2,000,000	2,000,000
James Chan	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	210,000	210,000
Gan Kim See, Wendy	01.22.2001	01.22.2002 to 01.22.2004	01.22.2002 to 01.22.2011	16.840	180,000	180,000
	07.25.2003	07.25.2004 to 07.25.2006	07.25.2004 to 07.23.2013	4.350	240,000	240,000

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES – CONTINUED

2. Associated Corporation of the Company - Continued

A. Interests in PCCW Limited (“PCCW”) - Continued

Notes: - Continued

III. (a) These shares were held jointly by Lee Chi Hong, Robert and his spouse.

(b) These shares were held by the spouse of Lee Chi Hong, Robert.

IV. These interests represented Alexander Anthony Arena's beneficial interest in: (a) 200 underlying shares held in the form of 20 American Depositary Receipts which constituted listed equity derivatives; and (b) 15,800,000 underlying shares in respect of share options granted by PCCW to Alexander Anthony Arena as beneficial owner, details of which are set out in Note II above.

V. All dates are shown month/day/year.

B. Short Positions in the Shares and Underlying Shares of PCCW

As at December 31, 2006, the Company had not been notified of any short positions in the shares or underlying shares or debentures of PCCW held by the directors or the chief executive of the Company or their associates.

REPORT OF THE DIRECTORS

SHARE OPTIONS AND DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Particulars of the Company's share option schemes are set out in note 25 to the consolidated financial statements. Details of the options which have been granted and outstanding under the 2003 share option scheme during the year ended December 31, 2006 are as follows:

1. Outstanding options at January 1, 2006 and at December 31, 2006

Category of participant	Date of grant	Vesting period	Exercisable period	Exercise price HK\$	Number of options	
					Outstanding at 01.01.2006	Outstanding at 12.31.2006
Directors of the Company's subsidiary	12.20.2004	Fully vested on 12.20.2004	12.20.2004 to 12.19.2014	2.375	10,000,000	10,000,000

Note: All dates are shown month/day/year

2. Options granted during the year ended December 31, 2006

During the year under review, no share options were granted.

3. Options exercised during the year ended December 31, 2006

During the year under review, no share options were exercised.

4. Options cancelled or lapsed during the year ended December 31, 2006

During the year under review, no share options were cancelled or lapsed.

At no time during the year was the Company or any of its subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

INTERESTS AND SHORT POSITIONS IN SHARES OF SUBSTANTIAL SHAREHOLDERS

1. Interests in the Company

As at December 31, 2006, the following persons (other than directors or the chief executive of the Company) had interests in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO:

Name of shareholder	Capacity	Number of shares/ underlying shares held	Percentage of issued share capital
PCCW	Beneficial owner	2,153,555,555(<i>Note I</i>)	89.64%
Desmarais Paul G.	Investment manager	146,441,000(<i>Note II</i>)	6.10%
Nodex Inc.	Investment manager	146,441,000(<i>Note II</i>)	6.10%
Gelco Enterprises Ltd.	Investment manager	146,441,000(<i>Note II</i>)	6.10%
Power Corporation of Canada	Investment manager	146,441,000(<i>Note II</i>)	6.10%
Power Financial Corporation	Investment manager	146,441,000(<i>Note II</i>)	6.10%
IGM Financial Inc.	Investment manager	146,441,000(<i>Note II</i>)	6.10%
Peter Cundill & Associates (Bermuda) Ltd.	Investment manager	124,952,000	5.20%
OZ Management, L.L.C.	Investment manager	120,498,000	5.02%

Notes:

- I. (a) These interests represented an interest in 1,481,333,333 shares in the Company held by Asian Motion Limited, a wholly-owned subsidiary of PCCW; and
- (b) These interests represented an interest in respect of 672,222,222 underlying shares in the Company held by PCCW-HKT Partners Limited, a wholly-owned subsidiary of PCCW, arising as a result of the holding of the HK\$2,420 million guaranteed convertible note issued by PCPD Wealth Limited, a wholly-owned subsidiary of the Company, on December 29, 2006 to replace the HK\$2,420 million tranche B convertible note issued by the Company.

REPORT OF THE DIRECTORS

INTERESTS AND SHORT POSITIONS IN SHARES OF SUBSTANTIAL SHAREHOLDERS – CONTINUED

1. Interests in the Company - Continued

Notes: - Continued

- II. Each of the entities and the individual has direct or indirect control over an investment manager Mackenzie Cundill Investment Management Ltd. and is therefore deemed to be interested in the 146,441,000 shares of the Company held by Mackenzie Cundill Investment Management Ltd.

2. Short Positions in the Shares and Underlying Shares of the Company

As at December 31, 2006, the Company had not been notified of any other person who had short positions in the shares or underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

Save as disclosed above, as at December 31, 2006, the Company had not been notified of any other person who had interests or short positions in the shares and underlying shares of the Company to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' INTERESTS IN CONTRACT OF SIGNIFICANCE

No contract of significance (as defined in Appendix 16 to the Listing Rules) to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at any time during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at December 31, 2006, directors of the Company had the following interests in business which competed or were likely to compete, either directly or indirectly, with the Group's business:

Name of Director	Names of investee companies	Nature of business	Nature of interests
Li Tzar Kai, Richard	Cheung Kong and its subsidiaries ("Cheung Kong Group")	Property development and investment, hotel and serviced suite operation, property and project management and investment in securities	Deemed interests in Cheung Kong (<i>Note I</i>)
	HWL and its subsidiaries ("Hutchison Group")	Ports and related services, property and hotels, retail and manufacturing, energy, infrastructure, finance and investments, and telecommunications	Certain personal and deemed interests in HWL (<i>Note II</i>)

Notes:

- I. Certain businesses of the Cheung Kong Group may compete with certain aspects of the business of the Group. Li Tzar Kai, Richard is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of Cheung Kong. Li Tzar Kai, Richard holds one-third of the issued share capital of two companies, which own all the shares in the trustee companies which act as trustees of such discretionary trusts and unit trusts. These trustee companies perform their functions as trustees independently without any reference to Li Tzar Kai, Richard. In view of the above, the Company considers that Li Tzar Kai, Richard is not able to exert control or influence over the Cheung Kong Group.
- II. Li Tzar Kai, Richard was a director of HWL and certain of its subsidiaries until August 16, 2000, the day before the acquisition of Cable & Wireless HKT Limited (now known as PCCW-HKT Limited) became effective. Certain businesses of the Hutchison Group compete with certain aspects of the business of the Group. Li Tzar Kai, Richard has a personal interest in 110,000 shares in HWL, and is one of the discretionary beneficiaries of certain discretionary trusts which hold units in unit trusts which in turn are interested in certain shares of HWL. Li Tzar Kai, Richard holds one-third of the issued share capital of two companies, which own all the shares in the trustee companies which act as trustees of such discretionary trusts and unit trusts. These trustee companies perform their functions as trustees independently without any reference to Li Tzar Kai, Richard. In view of the above, the Company considers that Li Tzar Kai, Richard is not able to exert control or influence over the Hutchison Group.

REPORT OF THE DIRECTORS

DIRECTORS' INTERESTS IN COMPETING BUSINESS – CONTINUED

In addition, Li Tzar Kai, Richard, Alexander Anthony Arena and Lee Chi Hong, Robert are directors of certain private companies (the “Private Companies”), which are engaged in property development and investment in Hong Kong (a development called Gough Hill) and Japan (investments in certain residential properties). Subsequent to the year end, Alexander Anthony Arena ceased to be a director of the Private Companies.

Further, Li Tzar Kai, Richard, and Alexander Anthony Arena are directors of PCRDR. PCRDR acts as an investment holding company of, among others, interests in PCCW and investments in India and Vietnam.

The business interests of the Private Companies in Hong Kong are not significant when compared with the business of the Group and it is unlikely that such business interests will compete with the business of the Group. The business interests in Japan, India and Vietnam are also unlikely to compete with the existing business of the Group.

Li Tzar Kai, Richard has a controlling interest in some of the Private Companies. Further, he is or may be regarded as interested in PCRDR and PCGH due to the interests as disclosed under the section headed “**Directors’ and Chief Executive’s Interests and Short Positions in Shares, Underlying Shares and Debentures**” in this report.

As PCRDR and the Private Companies are involved in the development and/or investment of properties of different types and/or in different locations, the Group has been operating independently of, and at arm’s length from, the businesses of those companies.

Save as disclosed above, none of the directors or their respective associates has an interest in a business, apart from the business of the Group, which competes or is likely to compete, either directly or indirectly, with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries of the listed securities of the Company.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes are set out in note 24 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, although no restrictions against such rights exist under the laws of Bermuda.

CONNECTED TRANSACTIONS

Since the publication of the Company's annual report for the year ended December 31, 2005, the Group had entered into (or continued to be party to) certain transactions which are "connected transactions" or "continuing connected transactions" as defined in the Listing Rules and which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company has complied with such disclosure requirements. Details of the continuing connected transactions with PCCW group during the year are as follows:

1. As disclosed in the Company's annual report for the year ended December 31, 2005, PCPD Facilities Management Limited ("PCPD FM") entered into an agreement with PCCW Services Limited ("PCCW Services"), a wholly-owned subsidiary of PCCW, pursuant to which PCPD FM would provide facilities management, project management, corporate and asset management services to PCCW Services at a fee calculated in accordance with the agreement, subject to an annual cap of HK\$65 million. The service fee charged by PCPD FM for the year ended December 31, 2006 was HK\$49 million.
2. As disclosed in the Company's announcement dated June 30, 2005, on June 30, 2005, the Company and PCCW Services entered into a master goods and services agreement (the "Master Agreement") for the provision by the PCCW group to the Group of certain goods and services, which include telephony equipment and services ("Telephony"), computer systems and information technology and related services ("Information Technology") and non-administrative corporate services ("Other Services"), for a term of three years from June 1, 2005 to May 31, 2008.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS – CONTINUED

The aggregate contract amounts for each category of services under the Master Agreement involved during the year were summarised as follows:

Category of Services	Aggregate contract amount for the period from January 1, 2006 to May 31, 2006	Annual cap for the period from June 1, 2005 to May 31, 2006	Aggregate contract amount for the period from June 1, 2006 to December 31, 2006	Annual cap for the period from June 1, 2006 to May 31, 2007
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Telephony	0	2,000	98	2,000
Information Technology	2,307	11,450	2,974	7,500
Other Services	894	1,700	63	2,700

The independent non-executive directors of the Company have reviewed and confirmed that the continuing connected transactions for the year have been entered into:

- A. in the ordinary and usual course of the business of the Group;
- B. either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and
- C. in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

In addition, the auditors of the Company have confirmed to the Board in writing, in respect of the continuing connected transactions for the year, that:

- A. all the transactions had been approved by the Board;
- B. all the transactions were entered into in accordance with the terms of the relevant agreements governing them;
- C. the transaction referred to in item 1 above involved the provision of goods and services and was in accordance with the relevant pricing policies of the Group; and
- D. none of the transactions had exceeded the cap disclosed in the Company's announcements dated December 6, 2004 and June 30, 2005 respectively.

RELATED PARTY TRANSACTIONS

Details of the related party transactions undertaken by the Group in normal course of business are set out in note 33 to the consolidated financial statements. Those related party transactions which constituted connected transactions under the Listing Rules have complied with the applicable requirements of the Listing Rules.

PUBLIC FLOAT

As at the date of this report, the Company has maintained the prescribed public float under the Listing Rules based on information that is publicly available to the Company and the knowledge of the Company's directors.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the corporate governance report in page 26 to 34 of this annual report.

AUDITORS

The financial statements for the financial year ended December 31, 2006 have been audited by PricewaterhouseCoopers who will retire at the conclusion of the forthcoming annual general meeting. A resolution for the re-appointment of PricewaterhouseCoopers as auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

CHAN Ya Lai, Alice

Company Secretary

Hong Kong, March 28, 2007