

Report of the Directors

The Directors have pleasure in submitting their Report and the Audited Financial Statements for the financial year ended December 31, 2006.

PRINCIPAL ACTIVITIES AND TRADING OPERATIONS

The principal activity of the Company is investment holding and those of its principal subsidiaries are set out on pages 142 to 145.

During the financial year, more than 90% of the trading operations of the Company and its subsidiaries in terms of both turnover and operating profit were carried on in Hong Kong. An analysis of the principal activities of the trading operations of the Company and its subsidiaries during the financial year is set out in Note 1 to the Financial Statements on pages 74 to 76.

RESULTS, APPROPRIATIONS AND RESERVES

The results of the Group and appropriations of profits for the financial year ended December 31, 2006 are set out in the Consolidated Profit and Loss Account on page 67.

Appropriations of profits and movements in reserves during the financial year are set out in Note 27 to the Financial Statements on pages 110 to 112.

DIVIDENDS

An interim dividend of 36 cents per share was paid on October 20, 2006. The Directors now recommended for adoption at the Annual General Meeting to be held on Friday, May 25, 2007 the payment on June 1, 2007 to Shareholders on record as at May 25, 2007 of a final dividend of 44 cents per share in respect of the financial year ended December 31, 2006. This recommendation has been disclosed in the Financial Statements.

SHARE CAPITAL

During the financial year, upon exercise by certain grantees of options granted under the Company's Executive Share Incentive Scheme, a total of 200,000 ordinary shares of HK\$1.00 each of the Company, credited as fully paid, were allotted and issued by the Company at a subscription price of HK\$25.00 per share.

FIXED ASSETS

Movements in fixed assets during the financial year are set out in Note 10 to the Financial Statements on pages 84 to 87.

DONATIONS

The Group made donations during the financial year totalling HK\$2.9 million.

DIRECTORS

The Directors of the Company during the financial year were Mr P K C Woo, Mr G W J Li, Mr S T H Ng, Ms D Y F Lee, Mr P M P Chan, Professor E K Y Chen, Dr R K F Ch'ien, Mr E B Christensen (retired on May 29, 2006), Hon V K Fang, Mr H Michael Jebsen, Mr T Y Ng and Mr J E Thompson.

Mr G W J Li, Mr T Y Ng and Mr J E Thompson are due to retire from the Board at the forthcoming Annual General Meeting. Being eligible, they offer themselves for re-election. None of the retiring Directors proposed for re-election at the forthcoming Annual General Meeting has a service contract with the Company which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTERESTS IN CONTRACTS

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

MANAGEMENT CONTRACTS

No contracts for the management and administration of the whole or any substantial part of any business of the Company were entered into or existed during the financial year.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the financial year was the Company or any of its subsidiaries a party to any arrangement to enable the Directors of the Company to acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate, with the exception of the options to subscribe for ordinary shares of the Company and i-CABLE previously granted under the Company's Scheme and i-CABLE's Share Option Scheme (the "i-CABLE's Scheme") to, *inter alia*, certain executives of the Company or its subsidiaries and certain employees of i-CABLE or its subsidiaries respectively, some of whom were Directors of the Company during the financial year. Under the rules of the two schemes (subject to any such restrictions or alterations as may be prescribed or provided under the Listing Rules of the Stock Exchange from time to time in force), shares of the Company and i-CABLE would be issued at such prices, not being less than 90% and 80% respectively of the Company's and i-CABLE's average closing prices on the Stock Exchange for the five trading days immediately preceding the date of offer of the options, and the relevant options would be exercisable during such periods, not being beyond the expiration of 10 years from the date of grant, as determined by the boards of directors of the Company and i-CABLE respectively. During the financial year, certain shares of the Company were allotted and issued to Ms D Y F Lee, an Executive Director of the Company, on her exercise of options under the Company's Scheme, and no shares of i-CABLE were issued to any Director of the Company under the i-CABLE's Scheme.

AUDITORS

The Financial Statements now presented have been audited by KPMG, Certified Public Accountants, who retire and being eligible, offer themselves for re-appointment.

By Order of the Board
Wilson W S Chan
Secretary

Hong Kong, March 21, 2007

Report of the Directors *(continued)*

SUPPLEMENTARY CORPORATE INFORMATION

(A) Biographical Details of Directors and Senior Managers

(I) Directors

Peter K C Woo, GBS, JP, Chairman (Age: 60)

Mr Woo has resumed the role of Chairman of the Company since 2002 after having also served in that capacity from 1986 to 1994. He also serves as the Chairman of the Company's Remuneration Committee. He is also the chairman of Wheelock and Company Limited ("Wheelock"), Wheelock Properties Limited ("WPL") and Wheelock Properties (Singapore) Limited ("WPSL") in Singapore.

Mr Woo was appointed a Justice of the Peace in 1993 and awarded the Gold Bauhinia Star in 1998 by the Hong Kong SAR Government. He has for many years been actively engaged in community and related services, both locally and in the international arena, and has held various Government appointments. He has been the Government-appointed chairman of the Hong Kong Trade Development Council since October 2000 and had served as the chairman of Hospital Authority from 1995 to 2000 and the council chairman of Hong Kong Polytechnic University from 1993 to 1997. He is currently the chairman of the Hong Kong Environment and Conservation Fund Committee set up in 1994 which he co-funded with the Government. He also served as a deputy chairman in 1991 to Prince of Wales Business Leaders Forum, and as a member of the International Advisory Council of JPMorgan Chase & Co., National Westminster Bank, Banca Nazionale del Lavoro, Elf Aquitaine of France and General Electric of America. He has received Honorary Doctorates from various universities in the USA, Australia and Hong Kong.

Gonzaga W J Li, Senior Deputy Chairman (Age: 77)

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

Stephen T H Ng, Deputy Chairman and Managing Director (Age: 54)

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

Doreen Y F Lee, Executive Director (Age: 50)

Ms Lee joined the Company in 1984. She has been a Director of the Company since 2003 and became an Executive Director in March 2007. She was appointed as the managing director of Wharf Estates Limited and Wharf Estates China Limited (“WECL”), both wholly-owned subsidiaries of the Company, in 2005. She is also the managing director of two other wholly-owned subsidiaries of the Company, namely, Harbour City Estates Limited and Times Square Limited. She is responsible for overseeing the investment property portfolios of the Group, including the two core properties of the Group, namely, Harbour City and Times Square in Hong Kong, and the Group’s Times Squares in Beijing, Shanghai, Chongqing and Dalian. Ms Lee is also a director of Joyce. Ms Lee is a graduate of The University of Hong Kong where she obtained her bachelor’s degree in Arts (Hon).

Paul M P Chan, Director (Age: 52)

Mr Chan has been an independent Non-executive Director of the Company since September 2004. He also serves as a member of the Company’s Audit Committee. He is the managing director of PCP CPA Limited. He is also an independent non-executive director of publicly listed I.T Limited, Kingmaker Footwear Holdings Limited, Hong Kong Economic Times Holdings Limited, China Resources Land Limited and China Communication Services Corporation Limited. He was appointed the chairman of the Legal Aid Services Council in September 2006.

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

Mr Chan has over 29 years’ experience in accounting and finance field and is a former president of the HKICPA. He is also a former president of the ACCA – Hong Kong.

Edward K Y Chen, GBS, CBE, JP, Director (Age: 62)

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

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

Raymond K F Ch'ien, GBS, CBE, JP, Director (Age: 55)

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

In public service, Dr Ch'ien is chairman of the Hong Kong/European Union Business Cooperation Committee and is a Hong Kong member of the APEC Business Advisory Council. Dr Ch'ien is an honorary president and past chairman of the Federation of Hong Kong Industries and a Trustee of the University of Pennsylvania. From 1992 to 1997, Dr Ch'ien was a member of the Executive Council of Hong Kong, then under British administration. He was appointed a member of the Executive Council of the Hong Kong SAR on July 1, 1997 and served until June 2002.

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

Hon Vincent K Fang, JP, Director (Age: 63)

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

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

Hans Michael Jebsen, BBS, Director (Age: 50)

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

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

Mr Jebsen was awarded the Bronze Bauhinia Star by the Hong Kong SAR Government in 2001 and made a Knight of the Dannebrog by receiving the Silver Cross of the Order of Dannebrog by H. M. the Queen of Denmark in 2006.

T Y Ng, Director (Age: 59)

Mr Ng joined the Company in 1985 and has been a Director of the Company since 1998. He is a director of HCDL, Joyce and WPL, and also the managing director of WECL. He is an associate member of both the HKICPA and the Chartered Institute of Management Accountants.

James E Thompson, GBS, Director (Age: 67)

Mr Thompson has been an independent Non-executive Director of the Company since 2001. He also serves as a member of the Company's Audit Committee and Remuneration Committee. He established his company, Crown Worldwide, in Japan in 1965. He is the member of the American Chamber of Commerce in Hong Kong ("ACC") and was appointed as the chairman of ACC in 2003. He also serves on Hong Kong – United States Business Council, the Hong Kong Japan Business Co-operation Committee, and the Hong Kong Korea Business Roundtable. Mr Thompson has lived in Hong Kong for 29 years and has served on the Trade Development Council, the ICAC Advisory Committee as well as other government and charitable committees. He was awarded the Gold Bauhinia Star by the Hong Kong SAR Government in 2003.

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

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

(II) Senior Management

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

(B) Directors' Interests in Shares

At December 31, 2006, Directors of the Company had the following beneficial interests, all being long positions, in the share capitals of the Company and of two subsidiaries of the Company, namely, i-CABLE and Modern Terminals, and the percentages which the shares represented to the issued share capitals of the Company, i-CABLE and Modern Terminals respectively are also set out below:

	No. of Ordinary Shares (Percentage of Issued Capital)	Nature of Interest
The Company		
Mr Gonzaga W J Li	686,549 (0.0280%)	Personal interest
Mr Stephen T H Ng	650,057 (0.0266%)	Personal interest
Mr T Y Ng	178,016 (0.0073%)	Personal interest
i-CABLE		
Mr Gonzaga W J Li	68,654 (0.0034%)	Personal interest
Mr Stephen T H Ng	1,065,005 (0.0527%)	Personal interest
Mr T Y Ng	17,801 (0.0009%)	Personal interest
Modern Terminals		
Mr Hans Michael Jebsen	3,787 (5.40%)	Corporate interest

Note: The 3,787 shares regarding "Corporate Interest" in which Mr Hans Michael Jebsen was taken to be interested as stated above was the interests held by a corporation in general meetings of which Mr Hans Michael Jebsen was either entitled to exercise (or was taken under Part XV of the SFO to be able to exercise) or control the exercise of one-third or more of the voting power.

Set out below are particulars of interests (all being personal interests) in options to subscribe for ordinary shares of the Company granted under the Share Option Scheme of the Company held by a Director of the Company during the financial year:

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

During the financial year, Ms Doreen Y F Lee exercised the above options to subscribe for 40,000 new ordinary shares. Accordingly, 40,000 new ordinary shares of the Company were allotted and issued to Ms Lee.

Except as disclosed above, as recorded in the register kept by the Company under section 352 of the SFO in respect of information required to be notified to the Company and the Stock Exchange pursuant to the SFO or to the Model Code for Securities Transactions by Directors of Listed Issuers:

- (i) there were no interests, both long and short positions, held as at December 31, 2006 by any of the Directors or Chief Executive of the Company in shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO); and
- (ii) there existed during the financial year no rights to subscribe for any shares, underlying shares or debentures of the Company which were held by any of the Directors or Chief Executive of the Company or any of their spouses or children under 18 years of age nor had there been any exercises during the financial year of any such rights by any of them.

(C) Substantial Shareholders' Interests

Given below are the names of all parties which were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital of the Company as at December 31, 2006, the respective relevant numbers of shares in which they were, and/or were deemed to be, interested as at that date as recorded in the register kept by the Company under section 336 of the SFO (the "Register") and the percentages which the shares represented to the issued share capital of the Company:

Names	No. of Ordinary Shares (Percentage of Issued Capital)	
(i) Lynchpin Limited	171,974,029	(7.03%)
(ii) Star Attraction Limited	171,974,029	(7.03%)
(iii) Wheelock Properties Limited	173,652,029	(7.09%)
(iv) Myers Investments Limited	173,652,029	(7.09%)
(v) Wheelock Corporate Services Limited	173,652,029	(7.09%)
(vi) WF Investment Partners Limited	1,051,765,051	(42.97%)
(vii) Wheelock and Company Limited	1,222,896,080	(49.96%)
(viii) HSBC Trustee (Guernsey) Limited	1,222,896,080	(49.96%)
(ix) JPMorgan Chase & Co.	146,448,525	(5.98%)

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

All the interests stated above represented long positions and as at December 31, 2006, there were no short positions recorded in the Register.

(D) Executive Share Incentive Scheme of the Company

(I) Summary of the Scheme

- (a) *Purpose of the Scheme:*
To give executives of the Group the opportunity of acquiring an equity participation in the Company, to continue to provide them with the motivation and incentive to give their best contribution towards the Company's continued growth and success.
- (b) *Participants of the Scheme:*
Any employee of the Company or any of its subsidiaries holding an executive, managerial, supervisory or similar position, including a Director of the Company or any of its subsidiaries holding executive office, who accepts the offer of the grant of an option in accordance with the terms of the Scheme.
- (c) (i) *Total number of ordinary shares of HK\$1.00 each in the capital of the Company (the "Shares") available for issue under the Scheme as at December 31, 2006:*
106,732,831
- (ii) *Percentage of the issued share capital that it represents as at December 31, 2006:*
4.36%
- (d) *Maximum entitlement of each participant under the Scheme as at December 31, 2006:*
Not more than:
- (i) 10% of the maximum number of Shares available for subscription under the terms of the Scheme; and
- (ii) in terms of amount of the aggregate subscription price, such amount of aggregate subscription price in respect of all the Shares for which an employee is granted options in any financial year as would exceed five times his or her gross annual remuneration.

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

(II) Details of Share Options Granted

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

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

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

The weighted average closing price of the Shares of the Company immediately before the dates of all exercises by employees of the Company's share options during the financial year was HK\$28.3 per share.

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

(E) Directors' Interests in Competing Business

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

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

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

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

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

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

(F) Major Customers and Suppliers

For the year ended December 31, 2006:

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

(G) Bank Loans, Overdrafts and other Borrowings

Particulars of all such bank loans, overdrafts and/or other borrowings of the Company and of the Group as at December 31, 2006 which are repayable on demand or within a period not exceeding one year are set out in Note 21 to the Financial Statements on pages 97 to 98. Those which would fall due for repayment after a period of one year are particularised in Note 21 to the Financial Statements on pages 97 to 98.

Set out below is information regarding certain borrowings of the Group outstanding as at December 31, 2006, all in the form of debt securities issued by wholly-owned subsidiaries of and guaranteed by the Company:

Name of Subsidiary/Borrower	Description of Debt Securities Issued	Outstanding Principal Amount
(1) Wharf International Finance Limited	US\$ Guaranteed Series A Fixed Rate Notes due 2007	US\$309 Million
(2) Wharf Finance (BVI) Limited	HK\$ Guaranteed Floating Rate Notes due 2007	HK\$150 Million
	HK\$ Guaranteed Fixed Rate Notes due 2007	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2007	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2007	HK\$250 Million
	US\$ Guaranteed Fixed Rate Notes due 2007	US\$50 Million
	HK\$ Guaranteed Fixed Rate Notes due 2008	HK\$300 Million
	HK\$ Guaranteed Floating Rate Notes due 2008	HK\$100 Million
	HK\$ Guaranteed Fixed Rate Notes due 2008	HK\$300 Million
	HK\$ Guaranteed Fixed Rate Notes due 2009	HK\$300 Million
	HK\$ Guaranteed Floating Rate Notes due 2009	HK\$100 Million
	HK\$ Guaranteed Floating Rate Notes due 2010	HK\$200 Million
	HK\$ Guaranteed Fixed Rate Notes due 2011	HK\$200 Million
	HK\$ Guaranteed Floating Rate Notes due 2013	HK\$300 Million
HK\$ Guaranteed Fixed Rate Notes due 2016	HK\$250 Million	

(H) Interest Capitalised

The amount of interest (all being borrowing costs) capitalised by the Group during the financial year is set out in Note 5 to the Financial Statements on page 80.

(I) Purchase, Sale or Redemption of Shares

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any listed securities of the Company during the financial year.

(J) Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors as at the date of this report, the Company has maintained the prescribed public float under the Listing Rules throughout the year ended December 31, 2006.

(K) Disclosure of Connected Transactions

Set out below is information in relation to connected transactions involving the Company and/or its subsidiaries which were substantially disclosed in the press announcement of the Company dated December 15, 2006 and were required under the Listing Rules to be disclosed in the Annual Report and Financial Statements of the Company:

(I) Rationalisation of Shekou Container Terminal

As part of the Group's strategy to rationalise its port business in Shekou, Modern Terminals Limited ("MTL"), a 67.6%-owned subsidiary of the Company, entered into on December 14, 2006 the following agreements with China Merchants Holdings (International) Company Limited ("CMH"), Swire Pacific Limited ("Swire") and P&O Dover (Holdings) Limited ("P&O") respectively:

- (a) Rationalisation Agreement between MTL and CMH pursuant to which MTL and CMH will form a joint venture ("Mega SCT") to hold their respective interests in Shekou Container Terminal Phase 1 ("SCT1"), Shekou Container Terminal Phase 2 ("SCT2"), Shekou Container Terminal Phase 3 ("SCT3") and Land Company (which holds gatehouse and surrounding land of approximately 18 hectares adjacent to SCT3). The joint venture will be held as to 30% by the MTL Group and as to 70% by the CMH Group upon completion of initial stage of the rationalisation ("Stage 1 Completion"). Upon Stage 1 Completion, the MTL Group will purchase from the CMH Group a 24% interest in Mega SCT at a cash consideration of HK\$3,168 million.

- (b) Share Purchase Agreement between MTL Shekou, a wholly-owned subsidiary of MTL, Swire and P&O as sellers, and CMH as purchaser, pursuant to which, if Stage 1 Completion does not take place in accordance with the terms set out in the Rationalisation Agreement on or before March 15, 2007 or such other date as the parties may agree in writing, MTL Shekou will sell and CMH will purchase, *inter alia*, MTL's interest in SCT1 and SCT2, at a total consideration of HK\$792 million.
- (c) Shareholders' Agreement between MTL and CMH, pursuant to which MTL will be granted a put option by CMH, under which MTL will have the right to require CMH to purchase all of its shares in Mega SCT (being 30% of the issued share capital of Mega SCT) for an amount of HK\$3,960 million.

As CMH is a substantial shareholder of MTL, it is a connected person of the Company under the Listing Rules, and the transactions contemplated under the Rationalisation Agreement, the Share Purchase Agreement and the Shareholders' Agreement constitute connected transactions of the Company under the Listing Rules.

(II) Tenancy Agreements with City Super Limited

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

Description of the City Super Transactions	Amount of rent received by the Company for the year ended December 31, 2006 HK\$ Million
1. Tenancy agreement in respect of B101-B109, Basement 1, Times Square, Causeway Bay, Hong Kong	25.88
2. Tenancy agreement in respect of Shops 3001-3002, Level 3, Gateway Arcade, Harbour City, Kowloon, Hong Kong	19.82

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

(III) Tenancy Agreement with Joyce Boutique Limited

Set out below is information in relation to a continuing connected transaction (the "JBL Transaction") in respect of a tenancy agreement between a wholly-owned subsidiary of the Company and Joyce Boutique Limited ("JBL"), particulars of which were previously disclosed in the press announcement of the Company dated January 16, 2006.

Description of the JBL Transaction	Amount of rent received by the Company for the year ended December 31, 2006 HK\$ Million
Ground Floor, No. 17-19 Canton Road, Harbour City, Kowloon, Hong Kong	13.39

The JBL Transaction is regarded as a continuing connected transaction under the Listing Rules as JBL is indirectly 51.9%-owned by a trust of which certain close relatives of the Chairman of the Company are discretionary objects.

(IV) Tenancy Agreement with Ferragamo Retail HK Limited

Set out below is information in relation to a continuing connected transaction (the "Ferragamo Transaction") in respect of a tenancy agreement between a wholly-owned subsidiary of the Company and Ferragamo Retail HK Limited ("Ferragamo"), particulars of which were previously disclosed in the press announcement of the Company dated January 18, 2006.

Description of the Ferragamo Transaction	Amount of rent received by the Company for the year ended December 31, 2006 HK\$ Million
Ground Floor and Level 1, Ocean Centre, Harbour City, Kowloon, Hong Kong	10.51

The Ferragamo Transaction is regarded as a continuing connected transaction under the Listing Rules as Ferragamo is indirectly 40%-owned by a trust of which certain close relatives of the Chairman of the Company are discretionary objects.

(V) Confirmation from the Directors

- (i) The Directors, including the independent Non-executive Directors, of the Company have reviewed the City Super Transactions, the JBL Transaction and the Ferragamo Transaction (collectively, the "Transactions") mentioned under Sections (K)(II), (K)(III) and (K)(IV) above and confirmed that the Transactions were entered into:
 - (1) by the Group in the ordinary and usual course of its business;
 - (2) either on normal commercial terms or, if there are not sufficient comparable transactions, on terms that are no less favourable than those available to or from (as appropriate) independent third parties; and
 - (3) in accordance with the relevant agreements governing the Transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.
- (ii) Furthermore, the auditors of the Company have advised the following:
 - (1) the Transactions had been approved by the Company's Board of Directors;
 - (2) nothing came to the attention of the auditors of the Company that caused them to believe that the Transactions were not entered into in accordance with the terms of the related agreements governing the Transactions; or, where there was no agreement, on terms no less favourable than those for similar transactions undertaken by the Group with independent third parties where available; and
 - (3) the relevant cap amounts have not been exceeded during the year ended December 31, 2006.