

The Directors present their annual report and the audited consolidated financial statements for the year ended 31st December, 2006.

## **PRINCIPAL ACTIVITIES**

The Company is an investment holding company. The principal activities of the Company's subsidiaries and infrastructure joint ventures are set out in notes 17 and 18 to the consolidated financial statements respectively.

## **RESULTS AND APPROPRIATIONS**

The results of the Group for the year ended 31st December, 2006 are set out in the consolidated income statement on page 20.

## **FINAL DIVIDEND**

The Board does not recommend the payment of a dividend.

## **PROPERTY, PLANT AND EQUIPMENT**

Details of movements during the year in the property, plant and equipment of the Group are set out in note 16 to the consolidated financial statements.

## **SHARE CAPITAL**

Details of the authorised and issued share capital of the Company are set out in note 24 to the consolidated financial statements.

There was no movement in the Company's share capital during the year.

## **DISTRIBUTABLE RESERVES**

As at 31st December, 2006 and 2005, the Company has no reserve available for distribution to the shareholders.

## **FINANCIAL SUMMARY**

A summary of the results and of the assets and liabilities of the Group for the past period/years is set out on page 45.

## DIRECTORS AND DIRECTORS' SERVICES CONTRACTS

The Directors of the Company during the year and up to the date of this report were:

### Executive Directors:

Cheng Yung Pun (*Chairman*)  
Yu Sui Chuen  
Cheng Wing See, Nathalie

### Non-executive Director:

Luo ZhiJian (appointed on 16th October, 2006)

### Independent non-executive Directors:

Au-Yeung Tsan Pong, Davie  
Fung Ka Choi  
Wong Chu Fung

In accordance with Clauses 87(1) and (2) of the Company's Bye-laws, Mr. Yu Sui Chuen and Ms. Cheng Wing See, Nathalie shall retire and, being eligible, offer themselves for re-election at the forthcoming annual general meeting. In accordance with Clause 86(2) of the Company's Bye-laws, Mr. Luo ZhiJian shall retire and, being eligible, offer himself for re-election at the forthcoming annual general meeting.

The term of office of each independent non-executive Director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

None of the Directors being proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules"). The Company considers all of the independent non-executive Directors are independent.

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

As at 31st December, 2006, the interests and short positions of the directors and chief executives and their respective associates in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of the Listing Companies were as follows:

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

### Long positions of ordinary shares of HK\$0.10 each of the Company

| Name of director | Capacity                         | Number of issued ordinary shares held | Percentage of the issued share capital of the Company |
|------------------|----------------------------------|---------------------------------------|---|
| Cheng Yung Pun   | Controlled corporation<br>(Note) | 445,500,000                           | 74.89%  |

Note: These shares are held by Leading Highway Limited, a company incorporated in the British Virgin Islands with limited liability and the entire issued share capital of which is wholly owned by Mr. Cheng Yung Pun.

Save as disclosed above, none of the Directors and chief executives, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 31st December, 2006.

### SHARE OPTION SCHEME

The share option scheme (the "Share Option Scheme") of the Company was adopted by the Company pursuant to the written resolution of the sole shareholder passed on 14th August, 2002. Particulars of the Share Option Scheme are set out in note 29 to the consolidated financial statements.

There has been no option granted since the adoption of the Share Option Scheme.

### ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Other than as disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures", at no time during the year was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors of the Company nor their associates to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors have any interests in competing business to the Group.

### DIRECTORS'/CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Details of the related party transactions for the year are set out in note 31 to the consolidated financial statements. Other than as disclosed therein, no contracts of significance to which the Company, its holding company, subsidiaries or fellow subsidiaries was a party and in which a director or a controlling shareholder of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### SUBSTANTIAL SHAREHOLDERS

Other than the interests disclosed in the section "Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures" in respect of Mr. Cheng Yung Pun, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO discloses no person as having a notifiable interest or short position in the issued share capital of the Company as at 31st December, 2006.

## PRE-EMPTIVE RIGHTS

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

## PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the year, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the listed shares of the Company.

## MANAGEMENT CONTRACTS

During the year, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered or existed.

## MAJOR CUSTOMERS AND SUPPLIERS

The Group had no major customers due to the nature of the principal activities of the Group.

Aggregate operating and administrative expenses attributable to the Group's five largest suppliers were less than 30% of total operating and administrative expenses for the year.

At no time during the year did any Director, any associate of a Director, or any shareholder of the Company, which to the knowledge of the Directors owned more than 5% of the Company's share capital, have any beneficial interests in these customers or suppliers.

## EMOLUMENT POLICY

A remuneration committee is set up for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out as "Share Option Scheme" above.

## COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Board had adopted its own code on corporate governance practices which incorporates all code provisions in the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CGP Code").

None of the Directors of the Company is aware of information that would reasonably indicate the Company is not or was not for any part of the year under review, in compliance with the CGP Code and its own code except for the deviations from the following provisions of the CGP Code:

1. Code provision A.2.1, the role of chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. One of the executive Directors assumes the role of CEO. The present structure is more suitable to the Company because it can promote the efficient formulation and implementation of the Company's strategy;

## COMPLIANCE OF THE CODE ON CORPORATE GOVERNANCE PRACTICES *(CONTINUED)*

- Code provision A.4.1 stipulates that non-executive director should be appointed for a specific term. However, none of the existing non-executive Directors (including independent non-executive) is appointed for a specific term since all non-executive Directors of the Company (including independent non-executive) are subject to retirement provisions under the Company's Bye-laws. The Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the CGP Code.

## SUFFICIENCY OF PUBLIC FLOAT

The Company has maintained a sufficient public float throughout the year ended 31st December, 2006.

## POST BALANCE SHEET EVENTS

Details of significant events occurring after the balance sheet date are set out in note 32 to the consolidated financial statements.

## AUDITOR

A resolution will be submitted to the forthcoming annual general meeting of the Company to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company.

By order of the Board

**Cheng Yung Pun**  
*Chairman*

Hong Kong, 15th March, 2007