

# REPORT OF THE DIRECTORS

The Directors are pleased to present the first annual report together of the Company with the audited combined financial statements of the Group for the year ended 31 December 2006.

## CORPORATE REORGANIZATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability under Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 10 November 2006.

Pursuant to a corporate reorganization (the “Corporate Reorganization”) to rationalize the structure of the Company and its subsidiaries (collectively, the “Group”) in preparation for the public listing of the Company’s Shares on the Stock Exchange, the Company became the holding company of the Group. Details of Corporate Reorganization are set out in the Appendix VII of the prospectus of the Company (the “Prospectus”) issued on 3 April 2007.

The Shares were listed on the Stock Exchange on 20 April 2007.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the property development, construction, fitting and decoration, property management and hotel operation and theme park.

An analysis of the Group’s revenue and operating results for the year by principal activities is set out in note 5 to the combined financial statements of the Group.

## MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, revenue attributable to the largest customer of the Group amounted to approximately 4.8% of the total revenue in the year and the five largest customers of the Group accounted for less than 30% of the Group’s revenue in the year.

For the year ended 31 December 2006, purchases attributable to the largest supplier of the Group amounted to approximately 3.8% of the total purchases in the year and the five largest suppliers of the Group accounted for less than 30% of the Group’s purchases in the year.

# REPORT OF THE DIRECTORS (CONTINUED)

## DIRECTORS AND SHAREHOLDERS INTERESTS IN SUPPLIERS AND CUSTOMERS OF THE GROUP

As at the date of this report, so far as the Directors are aware, the following persons who are Directors and will be interested in more than 5% of the issued share capital of the Company immediately upon the listing of the Company (assuming the over-allotment option is not exercised) had interest in the five largest customers and suppliers of the Group as follows:

### Name of Director and person

#### interested in more than 5% of the

#### Company's issued share capital

#### Name of customer of the Group

#### Type of interest

Ms. Yang Huiyan	Qingyuan Country Garden Property Development Co., Ltd.	52% equity interest
Mr. Yang Erzhu	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest
Mr. Su Rubo	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest
Mr. Zhang Yaoyuan	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest
Mr. Ou Xueming	Qingyuan Country Garden Property Development Co., Ltd.	12% equity interest

### Name of Director and person

#### interested in more than 5% of the

#### Company's issued share capital

#### Name of supplier of the Group

#### Type of interest

Ms. Yang Huiyan	Foshan Shunde Elite Architectural Co., Ltd.	52% equity interest
Mr. Yang Erzhu	Foshan Shunde Elite Architectural Co., Ltd.	12% equity interest
Mr. Su Rubo	Foshan Shunde Elite Architectural Co., Ltd.	12% equity interest
Mr. Zhang Yaoyuan	Foshan Shunde Elite Architectural Co., Ltd.	12% equity interest
Mr. Ou Xueming	Foshan Shunde Elite Architectural Co., Ltd.	12% equity interest

## RESULTS

The results of the Group for the year ended 31 December 2006 are set out in the combined income statement of the Group on page 52.

## DIVIDENDS

For the year ended 31 December 2006, the Group distributed dividends of approximately RMB2,513.7 million to the then Shareholders. Subsequent to 31 December 2006, the Group declared and paid all the distributable profits as of 31 December 2006 as special dividends approximately RMB512.6 million to the then Shareholders before listing of the Company on 20 April 2007.

The Directors do not recommend the payment of the final dividend in respect of the year.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment during the year are set out in note 6 to the combined financial statements of the Group.

## BORROWINGS

Details of the borrowings are set out in note 17 to the combined financial statements of the Group.

## RESERVES

Details of the movements in reserves during the year are set out in note 16 to the combined financial statements of the Group. As at 31 December 2006, the Company did not have any distributable reserves.

## SHARE CAPITAL

On 10 November 2006, the date of incorporation of the Company, one Share was allotted and issued to Codan Trust Company (Cayman) Limited for cash at par and such Share was transferred to Mr. Yang Erzhu on the same date. Subsequent to the balance sheet date, on 19 March 2007, Mr. Yang Erzhu transferred his one Share to Automic Group Limited ("Automic") at par value, and 70 Shares, 11 Shares, 6 Shares, 6 Shares and 6 Shares were allotted and issued as fully paid up to Concrete Win Limited ("Concrete Win"), Automic, Easy Hope Holdings Ltd. ("Easy Hope"),

# REPORT OF THE DIRECTORS (CONTINUED)

Acura International Global Limited (“Acura”) and Highlander Group Limited (“Highlander”) respectively. Pursuant to the Corporate Reorganization, on 26 March 2007, the Company acquired the entire issued share capital of Smart World Development Holdings Ltd. (“Smart World”) from Concrete Win, Automic, Easy Hope, Acura and Highlander, the consideration of which was satisfied by the issue and allotment of 699,999,930 Shares, 119,999,988 Shares, 59,999,994 Shares, 59,999,994 Shares and 59,999,994 Shares to Concrete Win, Automic, Easy Hope, Acura and Highlander respectively, credited as fully paid. On 20 March 2007, conditional on the share premium account of the Company being credited as a result of the listing of the Company, an amount of HK\$1,260,000,000 from the share premium was applied in paying up in full at par 12,600,000,000 Shares, such Shares to be allotted and issued, credited as fully paid at par to Concrete Win, Automic, Easy Hope, Acura and Highlander, being Shareholders appearing on the register of members of the Company on the date of the

Prospectus. On 19 April 2007, additional 2,400,000,000 Shares were issued pursuant to the Global Offering (as defined in the Prospectus) of the Company. Details of the combined capital of the Company are set out in note 15 to the combined financial statements of the Group.

## DONATIONS

The donations made by the Group during the year amounted to approximately HK\$9,089,000 (2005: approximately HK\$61,447,000).

## DISPOSAL OF SUBSIDIARIES

Details of the disposal of subsidiaries made by the Group are set out in note 33 to the combined financial statements of the Group.

## FINANCIAL SUMMARY

A financial summary of the Group is set out on page 126 of this annual report.

## DIRECTORS AND DIRECTORS’ SERVICE CONTRACTS

The Directors during the year up to the date of this report are:

### Executive Directors

Mr. Yeung Kwok Keung	(appointed on 4 December 2006)
Mr. Cui Jianbo	(appointed on 4 December 2006)
Ms. Yang Huiyan	(appointed on 4 December 2006)
Mr. Yang Erzhu	(appointed on 10 November 2006)
Mr. Su Rubo	(appointed on 4 December 2006)
Mr. Zhang Yaoyuan	(appointed on 4 December 2006)
Mr. Ou Xueming	(appointed on 4 December 2006)
Mr. Yang Zhicheng	(appointed on 4 December 2006)
Mr. Yang Yongchao	(appointed on 4 December 2006)

### Independent non-executive Directors

Mr. Lai Ming, Joseph	(appointed on 4 December 2006)
Mr. Shek Lai Him, Abraham	(appointed on 4 December 2006)
Mr. Tong Wui Tung, Ronald	(appointed on 4 December 2006)

# REPORT OF THE DIRECTORS (CONTINUED)

In accordance with the Articles of Association, Mr. Yang Erzhu and one-third of the rest of the Directors shall retire from office and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

None of the Directors has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

## DIRECTORS' INTERESTS IN CONTRACTS

The Company only became listed on the Stock Exchange on 20 April 2007 and had no transactions which constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules for the year ended 31 December 2006. Save as aforesaid, no contracts of significance in relation to the Company's business to which the Company, many of its subsidiaries, its fellow subsidiaries or its holding companies was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## DIRECTORS' AND THEIR ASSOCIATES' INTERESTS IN COMPETING BUSINESS

Ms. Yang Huiyan, Mr. Yang Erzhu, Mr. Su Rubo, Mr. Zhang Yaoyuan and Mr. Ou Xueming (all being Directors) respectively owned 52%, 12%, 12%, 12% and 12% interest in Qingyuan Country Garden Property Development Co., Ltd. and Qingyuan Country Cultural Development Co., Ltd.. Qingyuan Country Garden Property Development Co., Ltd. is the developer of the Qingyuan Holiday Islands project situated in Qingyuan which offers various types of products including villas, townhouses and low-rise apartments. While Qingyuan Country Cultural Development Co., Ltd. operates the Qingyuan Cultural Park located in Shijiao Town, Qingcheng District in Qingyuan. As at 31 December 2006, none of the Directors are considered to be in businesses which compete or are likely to compete, either directly or indirectly interests, with the businesses of the Group.

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2006, certain Directors and their close family members, and companies controlled by certain Directors and/or their close family

members entered into transactions with the Group which are disclosed in note 34 "Related party transactions" to the combined financial statements of the Group for the year ended 31 December 2006.

## SHARE OPTIONS

As at 31 December 2006, the Company had not adopted any share option scheme. On 20 March 2007, a share option scheme (the "Share Option Scheme") was adopted and approved by the then Shareholders. A summary of the principal terms of the Share Option Scheme is set out as follow:

### (i) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to provide the people working for the interest of the Group with incentives to perform better for the interest of the Group contributing to the success of the Group's business and to attract high quality staff for the purpose of enhancing competitiveness of the Group.

### (ii) Who may join

The Board may, at its absolute discretion, invite any executive or non-executive directors including independent non-executive directors of each member of the Group and their associates and any full-time employees of each member of the Group (together, the "Participants" and each "Participant"), to take up options ("Options") to subscribe for Shares at a price calculated in accordance with paragraph (v) below.

In determining the basis of eligibility of each Participant, the Board would take into account such factors as the Board may at its discretion consider appropriate.

### (iii) Grant of Options

On and subject to the terms of the Share Option Scheme, the Board shall be entitled at any time, within 10 years after the date on which the Share Option Scheme is conditionally adopted by the Shareholders to make an offer of the grant of an Option by the Board (the "Offer") to any Participant as the Board may in its absolute discretion select to subscribe for such number of Shares as the Board may determine at the subscription price.

## REPORT OF THE DIRECTORS (CONTINUED)

### (iv) Payment on acceptance of option offer

HK\$1.00 is payable by the Participant to the Company on acceptance of the option offer as consideration for the grant.

### (v) Subscription price of Shares

Subject to any adjustments made as stipulated in the Share Option Scheme, the subscription price in respect of each Share issued under the Share Option Scheme will be a price solely determined by the Board and notified to a Participant and will be at least the highest of:

- (1) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to the Participant, which must be a day (other than a Saturday or a Sunday) on which licensed banks are open for business in Hong Kong and the Stock Exchange is open for the business of dealing in securities (a "Business Day");
- (2) a price being the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 Business Days immediately preceding the date of offer to the Participant (provided that the new issue price shall be used as the closing price for any Business Day falling within the period before listing of the Shares where the Company has been listed for less than 5 Business Days as at the date of offer to the Participant); and
- (3) the nominal value of a Share.

### (vi) Maximum number of Shares available for subscription

- (1) The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed approximately 10% of the total number of Shares in issue immediately following completion of the Global Offering and Capitalization Issue (as defined in the Prospectus), being 1,600,000,000 Shares,

unless the Company obtains an approval from its Shareholders. Options lapsed in accordance with the terms of the Share Option Scheme will not be counted for the purpose of calculating such approximately 10% limit.

- (2) The Company may seek approval of its Shareholders in general meeting for refreshing the approximately 10% limit set out in sub-paragraph (1) above such that the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company under the limit as refreshed shall not exceed approximately 10% of the total number of Shares in issue as at the date of approval to refresh such limit excluding Options previously granted under the Share Option Scheme and any other share option schemes. Options previously granted under the Share Option Scheme and any other share option schemes (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes or exercised Options) will not be counted for the purpose of calculating such limit as refreshed. In such a case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.
- (3) The Company may seek separate approval by its shareholders in general meeting for granting Options beyond the approximately 10% limit set out in sub-paragraph (1) or sub-paragraph (2) (as the case may be) provided the Options in excess of such limit are granted only to participants specifically identified by the Company before such approval is sought. In such a case, the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

Notwithstanding the above and subject to the terms stipulated in the Share Option Scheme, the maximum number of Shares which may be issued

## REPORT OF THE DIRECTORS (CONTINUED)

upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% (or such higher percentage as may be allowed under the Listing Rules) of the total number of Shares in issue from time to time. No option may be granted under the Share Option Scheme and any other share option schemes of the Company if this will result in the aforesaid 30% limit being exceeded.

As at the date of this report, a total of 1,600,000,000 Shares (representing 10% of the issued share capital of the Company) are available for issue under the Share Option Scheme.

### (vii) **Maximum entitlement of Shares of each Participant**

The total number of Shares issued and to be issued upon exercise of the Options granted to each Participant (including both exercised and outstanding Options) in any 12-month period shall not exceed 1% of the total number of Shares in issue.

Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such Participant under the Share Option Scheme and any other share option schemes of the Company (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total number of Shares in issue, such further grant must be separately approved by the shareholders in general meeting with such Participant and his associates (as defined in the Listing Rules) abstaining from voting. The number and terms (including the exercise price) of the Options to be granted to such Participants shall be fixed before the Shareholders' approval and the date of the Board meeting for proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price. In such a case,

the Company shall send a circular to its shareholders containing the information required under the Listing Rules.

Any grant of Options to a Participant who is a director, chief executive or substantial shareholder (each as defined in the Listing Rules) of the Company or their respective associates (as defined in the Listing Rules) must be approved by the independent non-executive Directors (excluding an independent non-executive Director who is the relevant grantee). Where the Board proposes to grant any Option to a Participant who is a substantial shareholder or an independent non-executive Director or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted under the Share Option Scheme and any other share option schemes of the Company (including options exercised, cancelled and outstanding) to such Participant in the 12-month period up to and including the date of grant:

- (1) representing in aggregate more than 0.1% of the total number of Shares in issue; and
- (2) having an aggregate value, based on the closing price of the Shares at the date of each grant, in excess of HK\$5,000,000.

Such proposed grant of Options must be approved by the Shareholders by poll in general meeting. In such a case, the Company shall send a circular to its shareholders containing all those terms as required under the Listing Rules. All connected persons of the Company must abstain from voting in favour at such general meeting (except that any connected person may vote against such proposed grant at the general meeting provided that his intention to do so has been stated in the circular issued to the Shareholders). Any vote taken at the meeting to approve the grant of such Options must be taken on a poll and the applicable requirements of the Listing Rules must be complied with.

## REPORT OF THE DIRECTORS (CONTINUED)

### (viii) Time of exercise of option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined by the Board at its discretion and notified by the Board to each grantee as being the period during which an Option may be exercised any in any event, such period shall not be longer than 10 years from the date upon which any particular Option is granted in accordance with the Share Option Scheme.

Unless otherwise determined by the Board and specified in the Offer Letter at the time of the Offer of the Option, there is neither any performance target that needs to be achieved by the grantee before an Option can be exercised nor any minimum period for which an Option must be held before the Option can be exercised. An Option may be exercised in whole or in part in the manner as set out in the Offer Letter and in the Share Option Scheme by the Grantee (or his personal representative(s)) giving notice in writing to the Company stating that the Option is thereby exercised and the number of Shares in respect of which it is exercised. Each such notice must be accompanied by a remittance for the full amount of the total subscription price for the Shares in respect of which the notice is given. Within 28 days after receipt of the notice and the remittance, and where

appropriate, receipt of the certificate of the independent financial advisor or auditor pursuant to terms set out in the Offer Letter, the Company shall allot the relevant Shares to the grantee (or his personal representative(s)) credited as fully paid and issue to the grantee (or his personal representative(s)) a share certificate in respect of the Shares so allotted.

### DIRECTORS' AND CHIEF EXECUTIVES INTERESTS' IN THE SHARES OF THE COMPANY

As at 31 December, 2006, the Company had not received any notice of interest to be recorded under Section 352 of the Securities and Futures Ordinance ("SFO") as the Shares had not been listed on the Stock Exchange as at that date.

Immediately following the listing of the Company and assuming that the over-allotment option is not exercised, the interest or short position of Directors or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### (i) Interest in the Company

Name of Director	Capacity	Number of class of securities	Approximate shareholding percentage
Ms. Yang Huiyan	interest of a controlled corporation	9,520,000,000 Shares	59.5%
Mr. Yang Erzhu	interest of a controlled corporation	1,632,000,000 Shares	10.2%
Mr. Su Rubo	interest of a controlled corporation	816,000,000 Shares	5.1%
Mr. Zhang Yaoyuan	interest of a controlled corporation	816,000,000 Shares	5.1%
Mr. Ou Xueming	interest of a controlled corporation	816,000,000 Shares	5.1%

## REPORT OF THE DIRECTORS (CONTINUED)

Notes:

- Ms. Yang Huiyan owns the entire issued share capital of Concrete Win Limited and will be deemed to be interested in the 9,520,000,000 Shares held by Concrete Win Limited. These 9,520,000,000 Shares represent the same shareholding interest and are therefore duplicated between Concrete Win Limited and Ms. Yang Huiyan.
- Mr. Yang Erzhu owns the entire issued share capital of Automic Group Limited and will be deemed to be interested in the 1,632,000,000 Shares held by Automic Group Limited. These 1,632,000,000 Shares represent the same shareholding interest and are therefore duplicated between Automic Group Limited and Mr. Yang Erzhu.
- Mr. Su Rubo owns the entire issued share capital of Easy Hope Holdings Ltd. and will be deemed to be interested in the 816,000,000 Shares held by Easy Hope Holdings Ltd.. These 816,000,000 Shares represent the same shareholding interest and are therefore duplicated between Easy Hope Holdings Limited and Mr. Su Rubo.
- Mr. Zhang Yaoyuan owns the entire share capital of Acura International Global Limited and will be deemed to be interested in the 816,000,000 Shares held by Acura International Global Limited. The 816,000,000 Shares represent the same shareholding interest and are therefore duplicated between Acura International Global Limited and Mr. Zhang Yaoyuan.
- Mr. Ou Xueming owns the entire share capital of Highlander Group Limited and will be deemed to be interested in the 816,000,000 Shares held by Highlander Group Limited. These 816,000,000 Shares represent the same shareholding interest and are therefore duplicated between Highlander Group Limited and Mr. Ou Xueming

### (ii) Interest in an associated corporation of the Company

Name of Director	Name of the associated corporation	Number of class of securities	Shareholding percentage
Ms. Yang Huiyan	Concrete Win Limited	2 share of US\$1.00	100%

### SUBSTANTIAL SHAREHOLDERS

As at 31 December, 2006, the Company had not received any notice of interests to be recorded under Section 336 of the SFO as the Shares had not been listed on the Stock Exchange as at that date.

So far as the Directors are aware, immediately following the listing of the Company (but without taking into account Shares to be issued pursuant to the exercise of the over-

allotment option), the interests and short positions of persons, other than the Directors or chief executive of the Company in the Shares and the underlying Shares representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company as recorded in the register required to be kept under Section 336 of the SFO were as follows:

### (i) Interest in the Company

Name of shareholder	Capacity	Number of Shares held	Approximate shareholding percentage
Concrete Win Limited	beneficial owner	9,520,000,000	59.5%
Automic Group Limited	beneficial owner	1,632,000,000	10.2%
Easy Hope Holdings Ltd.	beneficial owner	816,000,000	5.1%
Acura International Global Limited	beneficial owner	816,000,000	5.1%
Highlander Group Limited	beneficial owner	816,000,000	5.1%



# REPORT OF THE DIRECTORS (CONTINUED)

Save as disclosed, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will, immediately following the listing of the Company, have an interest or short position in the shares or underlying shares of the Company as representing 5% or more of the nominal value of Shares comprised in the relevant share capital of the Company.

## PURCHASE, SALE OR REDEMPTION OF SHARES OF THE COMPANY

During the year, the Company had not redeemed, and neither the Company nor any of its subsidiaries had purchased or sold any of the Shares.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the law of Cayman Islands, being the jurisdiction in which the Company is incorporated under which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholder.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listing Issuer as set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Special enquiries will be made by the Company to confirm that all Directors will have complied with the Model Code for the year ending 31 December 2007.

## CORPORATE GOVERNANCE

Principal corporate governance practices adopted by the Company are set out in the Corporate Governance Report contained in this annual report.

## AUDIT COMMITTEE

The Company established an audit committee on 5 December 2006 with terms of references adopted on 20 March 2007 in compliance with the CG Code set out in Appendix 14 of the Listing Rules. The members of the audit committee are the independent non-executive Directors, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald. Mr. Lai Ming, Joseph is the chairman of the audit committee.

The audit committee is to serve as a focal point for communication between other directors, the external auditor and the internal auditor (where an internal audit function exists) of the Company as regards their duties relating to financial and other reporting, internal controls, external and internal audits and such other financial and accounting matters as the Board determines from time to time. The audit committee is to assist the Board in providing an independent review of the effectiveness of the financial reporting process, internal control and risk management system of the Group, overseeing the audit process and performing other duties and responsibilities as may be assigned by the Board from time to time.

The audit committee has reviewed the Group's combined financial statements for the year ended 31 December 2006, including the accounting principles and practices adopted by the Group, in conjunction with the Company's external auditor.

## USE OF NET PROCEEDS FROM THE COMPANY'S INITIAL PUBLIC OFFERING

The Company was just listed on the Stock Exchange on 20 April 2007. The net proceeds from the Company's issue of new shares (after deducting the underwriting commission and estimated expenses payable by the Group in relation to the Listing of the Company before the exercise of the over-allotment option) amounted to approximately HK\$12,537 million, which are intended to be applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the Prospectus. The net proceeds have been temporarily placed in deposits with a licensed bank in Hong Kong.

## SUFFICIENCY OF PUBLIC FLOAT

Rules 8.08(1)(a) and (b) of the Listing Rules require there to be an open market in the securities for which listing is sought and for a sufficient public float of an issuer's listed securities to be maintained. This normally means that (i) at least 25% of the issuer's total issued share capital must at all times be held by the public; and (ii) where an issuer has more than one class of securities apart from the class of securities for which listing is sought, the total securities of the issuer held by the public (on all regulated market(s) including the Stock Exchange) at the time of listing must be at least 25% of the issuer's total issued share capital.

## REPORT OF THE DIRECTORS (CONTINUED)

However, the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, and must have an expected market capitalization at the time of listing of not less than HK\$10,000 million.

The Group has applied to the Stock Exchange to request the Stock Exchange to exercise, and the Stock Exchange has confirmed that it will exercise, its discretion under Rule 8.08(1)(d) of the Listing Rules to accept a lower public float percentage of the Company of 15% (assuming the Over-allotment Option is not exercised) or such higher percentage of the issued share capital as will be held by the public in the event that the whole or a part of the Over-allotment Option is exercised (which discretion may be exercised in respect of issuers with an expected market capitalization at the time of listing of over HK\$10,000 million) on the basis that the Stock Exchange is satisfied that the number of the Shares concerned and the extent of their distribution will enable the market to operate properly with the lower percentage, and on the condition that we will make appropriate disclosure of the lower prescribed percentage of public float in this prospectus and confirm sufficiency of public float in the successive annual reports after listing. At the time of the Listing of the Company, the market capitalization exceeded HK\$10,000 million.

Based on the 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 since the Shares are listed on the Stock Exchange.

### POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 35 to the combined financial statements of the Group.

### AUDITOR

The financial statements for the year have been audited by PricewaterhouseCoopers. A resolution for the re-appointment of PricewaterhouseCoopers as the Company's auditor for the ensuing year is to be proposed at the forthcoming annual general meeting.

### CLOSURE OF REGISTER OF MEMBERS

The register of Shareholders will be closed from Monday, 21 May 2007 to Monday, 28 May 2007, both days inclusive, during which period no transfer of Shares will be registered. In order to determine the identity of the Shareholders who are entitled to attend and vote at the forthcoming annual general meeting of the Company, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 18 May 2007.

For and on behalf of the Board

**Yeung Kwok Keung**

*Chairman*

Hong Kong, 20 April 2007