

## DIRECTORS' REPORT

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2006.

### Principal place of business

CITIC 1616 Holdings Limited (formerly World Navigation Limited, the "Company") is a company incorporated and domiciled in Hong Kong and has its registered office and principal place of business at 8/F, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong.

### Principal activity

The principal activity of the Company is the provision of international telecommunications services and investment holding. But the provision of international telecommunications services ceased during the year and the Company is now engaged in the provision of sales and marketing functions and investment holding.

### Financial statements

The profit of the Company for the year ended 31 December 2006 and the state of the Company's affairs as at the date are set out in the financial statements on pages 33 to 71.

### Dividend

An interim dividend of HK\$495,000 (2005: Nil) per share was paid to the shareholders on 29 December 2006. The directors do not recommend the payment of a final dividend for the year ended 31 December 2006 (2005: Nil).

### Change of the Company's name

By a special resolution passed on 22 December 2006 and by a Certificate of Change of Name issued by the Registrar of Companies on 5 January 2007, the name of the Company was changed from World Navigation Limited 寶航有限公司 to CITIC 1616 Holdings Limited 中信1616集團有限公司.

### Subsidiaries

Details of subsidiaries are set out in note 12 to the financial statements.

### Reserves

Movement in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity on page 37.

### Property, plant and equipment

The movements in property, plant and equipment are set out in note 11 to the financial statements.

## DIRECTORS' REPORT

### Directors

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

Mr Shi Cuiming	(appointed on 8 January 2007)
Mr Yuen Kee Tong	(appointed on 8 January 2007)
Dr Li Bin	(appointed on 8 January 2007)
Mr David Chan Tin Wai	(appointed on 8 January 2007)
Mr Lee Chung Hing	
Mr Kwok Man Leung	
Mr Peter Chan Kwong Choi	(resigned on 21 December 2006)
Ms Frances Yung Ming Fong	(resigned on 2 January 2007)

In accordance with Article 7 of the Company's Articles of Association, Messrs Shi Cuiming, Yuen Kee Tong, Li Bin, David Chan Tin Wai, Lee Chung Hing and Kwok Man Leung shall retire in the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

### Directors' interests in contracts of significance

No contract of significance in relation to the Company's business to which the Company, any of its holding companies, subsidiaries or fellow subsidiaries was a party and in which a director 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.

### Arrangements for acquisition of shares or debentures

CITIC Pacific Limited ("CITIC Pacific"), the ultimate holding company of the Company, adopted the CITIC Pacific Share Incentive Plan 2000 ("the Plan") on 31 May 2000 under which the board of CITIC Pacific may invite any director, executive or employee of CITIC Pacific or any of its subsidiaries to subscribe for options over CITIC Pacific's shares. The following options were granted under the Plan:

Date of grant	Number of share options granted	Exercise price per share
28 May 2002	11,550,000	HK\$18.20
1 November 2004	12,780,000	HK\$19.90
20 June 2006	15,930,000	HK\$22.10

Mr Lee Chung Hing, Ms Frances Yung Ming Fong and Mr Kwok Man Leung, directors of the Company, had options subsisting as at 31 December 2006. Mr Kwok Man Leung had exercised part of his options during the year. The options that remained to be exercised by the above directors of the Company represented less than 1% of the issued share capital of CITIC Pacific as at 31 December 2006.

Apart from the above, at no time during the year was the Company, any of its holding companies, subsidiaries or fellow 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.

## DIRECTORS' REPORT

### Management contracts

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

### Auditors

The financial statements have been audited by KPMG who retire and being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board

**David Chan Tin Wai**  
*Director*

**CITIC Secretaries Limited**  
*Secretary*

Hong Kong, 22 February 2007