

## Report of the Directors

The Directors are pleased to present the audited consolidated financial statements of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2007.

### CORPORATE REORGANIZATION AND PUBLIC LISTING

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 Group in preparation for the public listing of the Company’s Shares on The Stock Exchange of Hong Kong Company Limited (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.

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

### RESULTS

The results of the Group for the year ended 31 December 2007 are set out in the consolidated income statement of the Group on page 66.

### DIVIDENDS

The Directors recommend the payment of the final dividend of RMB9.52 cents per share 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 consolidated financial statements of the Group.

### BORROWINGS

Details of the borrowings are set out in note 19 to the consolidated financial statements of the Group.

### RESERVES

Details of the movements in reserves during the year are set out in note 18 to the consolidated financial statements of the Group.

As at 31 December 2007, the distributable reserve of the Company amounted to approximately RMB1,919,211,000.

### DONATIONS

The donations made by the Group during the year amounted to approximately RMB77,648,000 (2006: RMB9,089,000).

### MAJOR ACQUISITION OF SUBSIDIARY

Details of the acquisition of a subsidiary made by the Group are set out in note 33 to the consolidated financial statements of the Group.

### FINANCIAL SUMMARY

A financial summary of the Group is set out on page 127 of this annual report.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2007, revenue attributable to the largest customer of the Group amounted to approximately 3.1% 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 2007, purchases attributable to the largest supplier of the Group amounted to approximately 6.5% 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

During the year ended 31 December 2007, so far as the Directors are aware, the following persons who are Directors and their associates (herein mentioned) and are interested in more than 5% of the issued share capital of the Company had direct interest or indirect 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 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 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	Guangdong Elite Architectural Co., Ltd.	52% equity interest
Mr. Yang Erzhu	Guangdong Elite Architectural Co., Ltd.	12% equity interest
Mr. Su Rubo	Guangdong Elite Architectural Co., Ltd.	12% equity interest
Mr. Zhang Yaoyuan	Guangdong Elite Architectural Co., Ltd.	12% equity interest
Mr. Ou Xueming	Guangdong Elite Architectural Co., Ltd.	12% equity interest
Mr. Yeung Kwok Keung	Foshan Shunde Grand Cement Co., Ltd	52% equity interest
Mr. Yang Erzhu	Foshan Shunde Grand Cement Co., Ltd	12% equity interest
Mr. Su Rubo	Foshan Shunde Grand Cement Co., Ltd	12% equity interest
Mr. Zhang Yaoyuan	Foshan Shunde Grand Cement Co., Ltd	12% equity interest
Mr. Ou Xueming	Foshan Shunde Grand Cement Co., Ltd	12% equity interest

Foshan Shunde Grand Cement Co., Ltd ("Grand Cement") is a non-wholly owned subsidiary of Foshan Shunde Lida Investment Co., Ltd ("Lida Investment"). Lida Investment is owned by Ms. Yang Meirong (a sister of Mr. Yeung Kwok Keung) as to 52%, by Mr. Yang Minsheng (a son of Mr. Yang Erzhu) as to 12%, by Mr. Su Zhiyan (a son of Mr. Su Rubo) as to 12%, by Mr. Zhang Chibiao (a son of Mr. Zhang Yaoyuan) as to 12% and by Ms. Ou Jieping (a daughter of Mr. Ou Xueming) as to 12%. As Grand Cement is owned as to 73.6% by Lida Investment, an associate of Mr. Yeung Kwok Yeung, as to 73.6% of its total equity interest, Grand Cement is thus an associate of a connected person of the Company.

Other than disclosed above, the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the issued share capital of the Company) did not have any interests in the five largest customers and suppliers of the Group for the year ended 31 December 2007.

### 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"), 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 movements in the share capital of the Company are set out in note 17 to the consolidated financial statements of the Group.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

### Executive Directors

Mr. Yeung Kwok Keung (Chairman)  
 Mr. Cui Jianbo  
 Ms. Yang Huiyan  
 Mr. Yang Erzhu  
 Mr. Su Rubo  
 Mr. Zhang Yaoyuan  
 Mr. Ou Xueming  
 Mr. Yang Zhicheng  
 Mr. Yang Yongchao

### Independent non-executive Directors

Mr. Lai Ming, Joseph  
 Mr. Shek Lai Him, Abraham  
 Mr. Tong Wui Tung, Ronald

In accordance with Article 87 of the Articles of Association, Messrs. Yeung Kwok Keung, Su Rubo, Zhang Yaoyuan and Shek Lai Him, Abraham shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

Each of the executive directors of the Company has entered into a service contract with the Company taking effect from 1 January 2007 for a period of three years. All the independent non-executive directors are appointed for a period up to 31 December 2008.

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' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the year ended 31 December 2007 are set out in note 24 to the consolidated financial statements of the Group.

## DIRECTORS' INTERESTS IN CONTRACTS

The Company only became listed on the Stock Exchange on 20 April 2007 and had transactions which constituted connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules for the year ended 31 December 2007, details are set out in the section headed under "Continuing Connected transactions". 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 2007, 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.

## CONTINUING CONNECTED TRANSACTIONS

As disclosed in the Prospectus, the Company has entered into the following connected transactions, which the Stock Exchange has either granted waivers to or exempted from the independent shareholders' approval, but subject to disclosure in the annual report under Rule 14A.32 of the Listing Rules. Details of these transactions are set out below:

### (a) Water Supply Agreements

Pursuant to the water supply agreement ("Jiangkou WS Agreement") dated 27 March 2007 between Shunde Country Garden Property Development Co., Ltd. ("Shunde CG") and Foshan Shunde Jiangkou Water Plant Co., Ltd. ("Jiangkou Plant") and the water agreement ("Crystal WS Agreement") dated 27 March 2007 between Zengcheng Country Garden Property Development Co., Ltd. ("Zengcheng CG") and Zengcheng Crystal Water Plant Co., Ltd. ("Crystal Plant"), Jiangkou Plant and Crystal Plant shall provide the Group water supply for use in operations in Pangyu and Shunde Districts and in Zengcheng District respectively for three years commencing from 1 January 2007 and subject to the annual caps of not exceeding RMB3.5 million and RMB17 million respectively for each of the years 2007, 2008 and 2009 respectively. The water supply shall be at rates no less favourable than rates chargeable by other water plants operated

## Report of the Directors (continued)

by independent third parties in Panyu District, Shunde District and Zengcheng District. The water fees received by Jiangkou Plant and Crystal Plants during the Period amounted to RMB3.47 million and RMB8.93 million respectively.

Each of Jiangkou Plant and Crystal Plant is owned by Ms. Yang Huiyan as to 52%, by Mr. Yang Erzhu as to 12%, by Mr. Su Rubo as to 12%, by Mr. Ou Xueming as to 12% and by Mr. Zhang Yaoyuan as to 12%. Jiangkou Plant and Crystal Plant are associates of a connected person of the Company as Ms. Yang Huiyan is a Director and a controlling shareholder of the Company.

### (b) Interior Decoration Services Agreements

Pursuant to the interior decoration services agreements ("Decoration Services Agreements") entered into between Foshan Shunde Finest Decoration & Design Enterprises Company ("Finest Decoration") and Qingyuan CG on 9 November 2006 and 15 November 2006 respectively (as amended by a supplemental agreement dated 27 March 2007), Finest Decoration agreed to provide interior decoration services for properties constructed under the project of Qingyuan CG for an aggregate sum of approximately RMB40.7 million, subject to the cap of not exceeding RMB34 million for year 2007. The interior decoration services are charged by Finest Decoration with reference to market prices and on terms no more favourable than those offered by independent third parties for comparable services to Qingyuan CG. The charge for the interior decoration service was determined with reference to the estimated costs plus profits for provision of such services. During the year, the total amount of charges for interior decoration services charged by Finest Decoration amounted to RMB33.47 million.

Qingyuan is owned by Ms. Yang Huiyan as to 52%, by Mr. Yang Erzhu as to 12%, by Mr. Su rubo as to 12%, by Ou Xueming as to 12% and Mr. Zhang Yaoyuan as to 12% of its total equity interest. Qingyuan CG is an associate of a connected person of the Company as Ms. Yang Huiyan is a Director and a controlling shareholder of the Company.

### (c) Design Services Agreements

Pursuant to the design services agreement ("Design Services Agreement") dated 27 March 2007 entered into between Shunde CG and Guangdong Elite Architectural Co., Ltd. ("Elite"), Elite agreed to provide property design and interior design services to the Group on term no less favourable than those offered by independent third parties to the Group for comparable services for three

years commencing from 1 January 2007 and subject to annual cap of RMB74.75 million for each of the years 2007, 2008 and 2009 respectively. During the year, the total amount of design services charged by Elite amounted to RMB74.75 million.

Elite is owned by Ms. Yang Huiyan as to 52%, by Mr. Yang Erzhu as to 12%, by Mr. Su Rubo as to 12%, by Mr. Ou Xueming as to 12% and by Mr. Zhang Yaoyuan as to 12%. Elite is an associate of a connected person as Ms. Yang Huiyan is a Director and a controlling shareholder of the Company.

### (d) Cement Product Sales Agreement

Pursuant to the cement products sales agreement ("Cement Products Agreements") dated 27 March 2007 entered into between Guangdong Giant Leap Construction Co., Ltd. ("Giant Leap") and Grand Cement, Grand Cement agreed to supply cement products to Giant Leap on terms (including but not limited to pricing) no less favourable than those offered by Grand Cement to independent third parties for three years commencing from 1 January 2007 and subject to annual cap of not exceeding RMB240 million for each of the years 2007, 2008 and 2009 respectively. During the year, the amount of cement purchased by Grand Cement amounted to RMB152.25 million.

Grand Cement is a non-wholly owned subsidiary of Lida Investment. Lida Investment is owned by Ms. Yang Meirong (a sister of Mr. Yeung Kwok Keung) as to 52%, by Mr. Yang Minsheng (a son of Mr. Yang Erzhu) as to 12%, by Mr. Su Zhiyan (a son of Su Rubo) as to 12%, by Mr. Zhang Chibiao (a son of Mr. Zhang Yaoyuan) as to 12% and by Ms. Ou Jieping (a daughter of Mr. Ou Xueming) as to 12%. As Grand Cement is owned as to 73.6% by Lida Investment, an associate of Mr. Yeung Kwok Yeung, as to 73.6% of its total equity interest, Grand Cement is thus an associate of a connected person of the Company.

### (e) Construction Services Agreements

Pursuant to the certain construction services agreements ("Construction Services Agreements") entered into by Giant Leap and Qingyuan CG between 10 August 2005 to 10 April 2006 (as amended by a supplemental agreement dated 27 March 2007), Giant Leap agreed to provide construction services to Qingyuan CG in respect of the development of properties at the site located in Shijiao Town, Qingcheng City, Qingyuan for an aggregate amount of approximately RMB1,723 million. The amount is subject to annual caps of not exceeding RMB590 million for a period of 3 years in 2007, 2008

and 2009 respectively. Such construction services are charged by Giant Leap with reference to market rates and on terms no more favourable than those offered by independent third parties to Qingyuan CG. The charge for the construction services was determined with reference to estimated costs plus profits for provision of such service. During the year, the value of construction services provided by Giant Leap amounted to RMB521.63 million.

Giant Leap is a wholly-owned subsidiary. Qingyuan CG is an associate of a connected person of the Company as Ms. Yang Huiyan is a Director and a controlling shareholder of the Company.

Ms. Yang Huiyan is executive Director and controlling shareholder of the Company. Each of Messrs. Yang Euzhu, Su Rubo, Ou Xueming and Zhang Yaoyuan is executive Director of the Company. Ms. Yang Huiyan, Mr. Yang Erzhu, Mr. Su Rubo, Mr. Zhang Yaoyuan and Mr. Ou Xueming are connected persons of the Company. Accordingly, all the transactions contemplated under these agreements constitute Continuing Connected Transactions of the Company under the Listing Rules.

The transactions under item (a) to (c) are subject to full reporting and announcement but be exempt from the independent shareholders' approval under Rule 14A.34 of the Listing Rules while the transactions under item (d) to (e) are subject to independent shareholders' approval under Rule 14A.35 of the Listing Rules.

Pursuant to Rule 14A.37 of the Listing Rules, the independent non-executive Directors of the Company, namely Mr. Lai Ming, Joseph, Mr. Shek Lai Him, Abraham and Mr. Tong Wui Tung, Ronald, have reviewed the Continuing Connected Transactions and confirmed that the Continuing Connected Transactions have been entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were no normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) 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.

For the purpose of Rule 14A.38 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, have also performed random sample checking on the above Continuing Connected Transactions and confirmed that the transactions entered into:

- (i) were approved by the Board of the Company;
- (ii) have been entered into in accordance with the relevant agreements governing the transactions; and
- (iii) have not exceeded the respective annual caps.

## RELATED PARTY TRANSACTIONS

During the year ended 31 December 2007, 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 35 "Related party transactions" to the consolidated financial statements of the Group.

## SHARE OPTIONS

On 20 March 2007, a share option scheme (the "Share Option Scheme") was adopted and approved by the then Shareholders. No share options were granted during the period since adoption. 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.

## Report of the Directors (continued)

### (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.

### (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 subparagraph (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 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 1,636,000,000 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.

**(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.

## Report of the Directors (continued)

### DISCLOSURE OF INTERESTS

#### Directors' and Chief Executives' Interests

As at 31 December 2007, the interests and short positions of the Directors and chief executives of the Company 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 which were required to be kept under section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

#### (i) Interest in the Company (long position)

Name of director	Capacity	Number of ordinary shares (Note)	Percentage to issued share capital
Ms. Yang Huiyan	interest of controlled corporation	9,520,000,000	58.19%
Mr. Yang Erzhu	interest of controlled corporation	1,632,000,000	9.98%
Mr. Su Rubo	interest of controlled corporation	816,000,000	4.99%
Mr. Zhang Yaoyuan	interest of controlled corporation	816,000,000	4.99%
Mr. Ou Xueming	interest of controlled corporation	816,000,000	4.99%

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

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

Note:

These shares represent shares held by Concrete Win Limited, Automic Group Limited, Easy Hope Holdings Ltd, Acura International Global Limited and Highlander Group Limited in which Ms. Yang Huiyan, Mr. Yang Erzhu, Mr. Su Rubo, Mr. Zhang Yaoyuan and Mr. Ou Xueming beneficially owns the entire issued share capital respectively.

Save as disclosed above, none of the Directors or chief executive of the Company had or was deemed to have any interests or short positions in the shares of the Company, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the

Model Code. None of Directors or their spouse or children under the age of 18, had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right during the period (the "Period") from 20 April 2007, the date on which trading of the shares of the Company commenced on the Stock Exchange, up to 31 December 2007.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS

As at 31 December 2007, the interests and short positions of persons, other than the Directors or chief executive of the Company in the shares and the underlying shares of the Company representing 5% or more of the nominal value of shares comprised in the relevant share capital of the Company as recorded in the register kept by the Company under Section 336 of the SFO were as follows:

### Interest in the Company (long position)

Name of shareholder	Capacity	Number of ordinary shares	Percentage to issued share capital
Concrete Win Limited	beneficial owner	9,520,000,000 (Note 1)	58.19%
Automic Group Limited	beneficial owner	1,632,000,000 (Note 2)	9.98%

Notes:

- These 9,520,000,000 shares are held by Concrete Win Limited, the entire issued share capital of which is beneficially owned by Ms. Yang Huiyan.
- These 1,632,000,000 shares are held by Automic Group Limited, the entire issued share capital of which is beneficially owned by Mr. Yang Erzhu.

Save as disclosed, none of the Directors knows of any person (not being a Director or chief executive of the Company) who will 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.

## CORPORATE GOVERNANCE

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

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

The Company was 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 listing

expenses) amounted to approximately RMB14,225 million which has been applied in accordance with the proposed applications set out in the section headed "Future plans and use of proceeds" contained in the prospectus. During the Period, approximately 95.2% of the net proceeds has been utilised.

## 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.

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 exercised 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 Overallotment 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

## Report of the Directors (continued)

or a part of the Overallotment 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 the 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 as at the date of this report, the Directors confirm that the Company has maintained the amount of public float as required under the Listing Rules.

### LOAN AGREEMENT WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

On 15 October 2007, the Company as borrower, Angel View International Limited, Estonia Development Ltd., Falcon Investments Development Ltd. and Impreza Group Limited (each of them is a wholly-owned subsidiary of the Company) as guarantors, and Bank of China (Hong Kong) Limited as lender, entered into an agreement for a six months non-revolving term loan facility of up to an aggregate amount of HK\$1.5 billion, which includes a condition imposing specific performance obligations on the controlling shareholders of the Company. On 27 February 2008, the Company has fully repaid the loan and accrued interest thereon and such covenants ceased to exist.

### POST BALANCE SHEET EVENTS

Details of the significant post balance sheet events are set out in note 36 to the consolidated financial statements of the Group.

### AUDITOR

The consolidated 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.

### PROFESSIONAL TAX ADVICE RECOMMENDED

If the shareholders ("Shareholders") of the Company are unsure about the taxation implications of purchasing, holdings, disposing of, dealing in, or the exercise of any rights in relation to, the Shares, they are advised to consult an expert.

### CLOSURE OF REGISTER OF MEMBERS

The register of Shareholders will be closed from Monday, 14 April 2008 to Thursday, 17 April 2008, both days inclusive, during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend and 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, 11 April 2008.

For and on behalf of the Board

**Yeung Kwok Keung**

*Chairman*

Hong Kong, 18 March 2008