

# Directors' Report

The Directors have pleasure in submitting their report together with the audited financial statements for the year ended 31 December 2009.

## Principal Place of Business

CITIC 1616 Holdings 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 Activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the principal subsidiaries are set out in note 16 to the financial statements.

## Dividends

The Board declared an interim dividend of HK2.4 cents (2008: HK2.0 cents) per share in respect of the year ended 31 December 2009 which were paid on 15 September 2009. The Directors recommended, subject to the approval of the shareholders at the forthcoming Annual General Meeting, the payment of a final dividend of HK7.1 cents (2008: HK6.4 cents) per share in respect of the year ended 31 December 2009 payable on 27 April 2010 to shareholders on the Register of Members at the close of business on 22 April 2010.

## Major Customers and Suppliers

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	17.6%	
Five largest customers in aggregate	41.8%	
The largest supplier		18.6%
Five largest suppliers in aggregate		46.2%

At no time during the year have the directors, their associates or any shareholder of the Company (which to the knowledge of the directors owns more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

## Financial Statements

The profit of the Group for the year ended 31 December 2009 and the state of the Company's and the Group's affairs as at the date are set out in the financial statements on pages 58 to 114.

## Transfer to Reserves

Profit attributable to the equity holders of the Company, before dividends, of HK\$371,527,000 (2008: HK\$332,128,000) has been transferred to reserves. Other movements in reserves are set out in note 22 to the financial statements.

## Charitable Donations

Charitable donations made by the Group during the year amounted to approximately HK\$352,000 (2008: HK\$700,000).

## Property, Plant and Equipment

During the year there were additions of property, plant and equipment amounting to HK\$150,000,000 and HK\$23,103,000 from its intermediate holding company and through the acquisition of subsidiaries respectively. Details of these additions and other movements in property, plant and equipment are set out in note 13 to the financial statements.

## Directors

The directors of the Company in office during the financial year ended 31 December 2009 were:

Mr. Shi Cuiming (retired with effect from 19 March 2009)  
Mr. Xin Yue Jiang  
Mr. Yuen Kee Tong  
Dr. David Chan Tin Wai  
Mr. Kwok Man Leung  
Ms. Stella Chan Chui Sheung (resigned with effect from 1 January 2010)  
Mr. Fei Yiping (appointed with effect from 1 January 2010)  
Mr. Yang Xianzu  
Mr. Liu Li Qing  
Mr. Gordon Kwong Che Keung

Mr. Fei Yiping was appointed as non-executive director of the Company with effect from 1 January 2010. Thus, in accordance with Article 95 of the New Articles of Association of the Company, he shall hold office only until the forthcoming Annual General Meeting and is then eligible for re-election. In addition, pursuant to Article 104(A) of the New Articles of Association of the Company, Messrs David Chan Tin Wai, Liu Li Qing and Gordon Kwong Che Keung shall retire by rotation in the forthcoming Annual General Meeting and all, being eligible, offer themselves for re-election.

## Directors Service Contracts

As at 31 December 2009, there were no service contracts which were not determinable by the employer within one year without payment of compensation (other than statutory compensation) between any company in the Group and any director proposed for re-election at the forthcoming Annual General Meeting.

## Directors' Interests in Contracts

No contract of significance to which the Company, or any of its holding companies, subsidiaries or fellow subsidiaries was a party, and in which a director of the Company had a material interest, subsisted at the end of the year or at any time during the year.

## Competing Interests

Save as disclosed below, none of the Directors and their respective associates had any direct or indirect interest in a business which competes or may compete with the business of the Group:

Mr. Kwok Man Leung, a non-executive director, is a director of CITIC Guoan Co., Ltd. ("CITIC Guoan"). CITIC Guoan's primary business is its 41.42% interest in CITIC Guoan Information Industry Co. Ltd. ("Guoan Information"), a company listed on the Shenzhen Stock Exchange. Guoan Information's major activities include investment and construction of cable television networks and satellite information networks for communications network infrastructure, the provision of value-added telecommunications services in communications services sector, network system integration, software development, development of salt lake resources, the development and manufacture of new materials, as well as the development and management of properties.

## Connected Transactions and Continuing Connected Transactions

Connected transaction disclosed in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") is as follows:

1. On 4 November 2009, ComNet Investment Limited ("ComNet Investment"), a wholly owned subsidiary of the Company, entered into an agreement for sale and purchase as supplemented by a supplemental agreement for sale and purchase with Neostar Investment Limited ("Neostar"), a wholly owned subsidiary of CITIC Pacific Limited ("CITIC Pacific"), pursuant to which Neostar agreed to sell the property comprising portions of ground, 1st, 2nd and 3rd floors, the whole of 5th, 16th, 17th, 18th, 23rd, 25th and 26th floors, portion of the roof and ancillary areas of Broadway Centre, 93 Kwai Fuk Road, Kwai Chung, New Territories, Hong Kong ("the Property") to ComNet Investment at a consideration of HK\$150,000,000. The aforesaid acquisition will allow the Group to relocate its operations, which are currently situated in different locations in Hong Kong. This will help to enhance its operational efficiency and save administrative and other operating costs. Neostar is a wholly owned subsidiary of CITIC Pacific, the controlling shareholder of the Company, and therefore is a connected person of the Company. The transaction was completed on 30 December 2009.

Continuing connected transactions disclosed in accordance with the Listing Rules are as follows:

1. On 18 August 2004, the Company had entered into a shareholders' agreement ("the Shareholders' Agreement") with, inter alia, HKIX Hong Kong Ltd. ("HKIX Co.") (which operates an exchange point ("HKIX") providing mainly interconnection amongst internet access providers in Hong Kong) and The Chinese University of Hong Kong Foundation Limited in relation to the joint venture company, Asia Pacific Internet Exchange Limited ("APIX"), for operating a secondary site ("HKIX2") to HKIX on a non-profit basis. Pursuant to the Shareholders' Agreement, APIX will, inter alia, provide various financial and operational support to HKIX Co. which includes an annual payment of HK\$1 million to a wholly owned subsidiary of HKIX Co. Such annual payment is for an initial period of six years until 17 August 2010 (which, subject to annual review by APIX, may be renewed on a yearly basis for no more than four years). The benefit to the Company is the prestige of participating in the provision of HKIX2, the mirror site of a crucial internet exchange point in Hong Kong. As HKIX is unique and crucial in maintaining the internet connection and provide community services to the Hong Kong public at large, the Company sees the entering into of the Shareholders' Agreement as a good opportunity whereby it can participate and provide community services to the public. As APIX is a subsidiary of the Company and HKIX Co. is a substantial shareholder of APIX, HKIX Co. and its subsidiaries are connected persons of the Company.
2. On 22 December 2006, the Company and Goldon Investment Limited ("Goldon") had entered into two tenancy agreements ("the Lease Agreements") pursuant to which the Company leased the Group's office premises located at 8th Floor and portion of 9th Floor, CITIC Tower, 1 Tim Mei Avenue, Central, Hong Kong, respectively, from Goldon for a term of three years commencing from 16 November 2006. The aggregate rentals and building management fee for each of the three years ending 31 December 2009 will not exceed HK\$24 million.

On 4 November 2009, the Company and Goldon had entered into two lease agreements ("the Renewed Lease Agreements") for the purpose of renewing the Leased Agreements which expired on 15 November 2009. Pursuant to the first renewed lease agreement, the Company leased from Goldon the premises located at 8th Floor, CITIC Tower for a term of three years commencing from 16 November 2009. The monthly rental is approximately HK\$1,120,400 (exclusive of government rent, rates and service charge). The service charge is approximately HK\$119,300 per month, plus any additional air-conditioning charges for supply after normal office hours (including chilled water charges) which are based on actual usage. Pursuant to the second renewed lease agreement, the Company leased from Goldon the premises located at portion of 9th Floor, CITIC Tower for a term of one year commencing from 16 November 2009. The monthly rental is approximately HK\$680,000 (exclusive of government rent, rates and service charge). The service charge is approximately HK\$72,400 per month, plus any additional air-conditioning charges for supply after normal office hours which are based on actual usage. Under the Renewed Lease Agreements, the Company may rent car parking spaces in the CITIC Tower from Goldon as required from time to time at the same rates payable by independent third parties to Goldon. The aggregate monthly rentals, service charges and monthly rentals for the car parking spaces in the CITIC Tower under the Renewed Lease Agreements for each of the 12-month periods ending 15 November 2012 will not exceed HK\$26 million. As CITIC Pacific has a 40% interest in Goldon, Goldon is an associate of CITIC Pacific and therefore a connected person of the Company.

For the year ended 31 December 2009, the aggregate amounts paid by the Company in respect of the Lease Agreements and the Renewed Lease Agreements were HK\$20,916,071 and HK\$3,174,834 respectively.

3. On 30 December 2009, ComNet Investment had entered into a management services agreement with Broadway Centre Property Management Company Limited ("the Manager"), a wholly owned subsidiary of CITIC Pacific, pursuant to which the Manager will provide property management services, chilled water supply and air-conditioning supply in respect of the Property to ComNet Investment for a period of two years commencing from 30 December 2009. The general management fee is approximately HK\$185,100 per month. The chilled water charges are based on the actual volume of chilled water used. The air-conditioning charges for supply during normal office hours are approximately HK\$83,600 per month and the air-conditioning charges for supply after normal office hours are based on the actual usage. The aggregate of the general management fees, chilled water charges and air-conditioning charges payable to the Manager for each of the 12-month periods as from 30 December 2009 will not exceed HK\$6,800,000. The Manager is a wholly owned subsidiary of CITIC Pacific and therefore is a connected person of the Company.

The aggregate of the general management fees, chilled water charges and air-conditioning charges paid to the Manager for the year ended 31 December 2009 were approximately HK\$7,339.

#### Review of the Continuing Connected Transactions:

The independent non-executive directors of the Company have reviewed the aforesaid continuing transactions made for the year ended 31 December 2009 and confirmed that the transactions had been entered into

- in the ordinary and usual course of business of the Group;
- on normal commercial terms; and
- in accordance with the relevant agreements on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditors of the Company have also confirmed to the Board that (a) the aforesaid transactions had received the approval of the Board of the Company; (b) there was an agreement in place governing each selected transaction; and (c) the aforesaid transactions had not exceeded the annual caps as stated in the prospectus of the Company dated 22 March 2007 or in the announcement dated 4 November 2009.

#### Related Party Transactions:

Details of the significant related party transactions undertaken in the normal course of business are provided under note 12 to the financial statements. None of these related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules, except for those described in the section of "Connected Transactions and Continuing Connected Transactions", in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with.

## Share Option Plan

The Company adopted a share option plan ("the Plan") on 17 May 2007. The major terms of the Plan are as follows:

1. The purpose of the Plan is to attract and retain the best quality personnel for the development of the Company's businesses; to provide additional incentives to Employees (as defined herebelow); and to promote the long term financial success of the Company by aligning the interests of grantees to shareholders.
2. The grantees of the Plan are any person employed by the Company or any subsidiary and any person who is an officer or director (whether executive or non-executive) of the Company or any subsidiary ("Employee") as the Board may, in its absolute discretion, select.
3. The maximum number of shares over which options may be granted under the Plan must not exceed 10% of (i) the shares of the Company in issue from time to time; or (ii) the shares of the Company in issue as at the date of adopting the Plan, whichever is the lower. As at 11 February 2010, the maximum number of shares available for issue under the Plan is 133,455,000, representing approximately 6.75% of the issued share capital.
4. The total number of shares of the Company (the "Shares") issued and to be issued upon exercise of options (whether exercised or outstanding) in any 12-month period granted to each grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (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 Shares in issue, such further grant shall be subject to separate approval by the shareholders of the Company in general meeting.
5. The exercise period of any option granted under the Plan must not be more than ten years commencing on the date of grant.
6. The acceptance of an offer of the grant of the option must be made within 28 days from the date of grant with a non-refundable payment of HK\$1.00 from the grantee.
7. The subscription price determined by the Board will not be less than the higher of (i) the closing price of the Company's shares as stated in the daily quotations sheet of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.
8. The Plan shall be valid and effective till 16 May 2017.

Since the adoption of the Plan, the Company has granted two lots of share options:

Date of grant	Number of share options	Exercise period	Exercise price HK\$
23 May 2007	18,720,000	23 May 2007 to 22 May 2012	3.26
17 September 2009	17,912,500	17 September 2010 to 16 September 2015	2.10
17 September 2009	17,912,500	17 September 2011 to 16 September 2016	2.10

The closing price of the Company's shares immediately before the grant on 17 September 2009 was HK\$2.10 per share. All options granted were accepted except for options for 115,000 shares.

None of the share options granted under the Plan were exercised but options for 300,000 shares have lapsed during the year ended 31 December 2009.

A summary of the movements during the year ended 31 December 2009 of the share options is as follows:

## A. Directors of the Company

Name of director	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options			Balance as at 31.12.2009	Percentage to the issued share capital %
				Balance as at 1.1.2009	Granted during the year ended 31.12.2009	Exercised during the year ended 31.12.2009		
Shi Cuiming	23.5.2007	3.26	23.5.2007 - 22.5.2012	2,900,000	-	-	N/A (Note 1)	N/A
Xin Yue Jiang	17.9.2009	2.10	17.9.2010 - 16.9.2015	-	900,000	-	900,000	0.091
	17.9.2009	2.10	17.9.2011 - 16.9.2016	-	900,000	-	900,000	
							1,800,000	
Yuen Kee Tong	23.5.2007	3.26	23.5.2007 - 22.5.2012	2,500,000	-	-	2,500,000	0.207
	17.9.2009	2.10	17.9.2010 - 16.9.2015	-	800,000	-	800,000	
	17.9.2009	2.10	17.9.2011 - 16.9.2016	-	800,000	-	800,000	
							4,100,000	

Number of Share Options

Name of director	Date of grant	Exercise price HK\$	Exercise period	Number of Share Options			Balance as at 31.12.2009	Percentage to the issued share capital %
				Balance as at 1.1.2009	Granted during the year ended 31.12.2009	Exercised during the year ended 31.12.2009		
David Chan Tin Wai	23.5.2007	3.26	23.5.2007 – 22.5.2012	1,845,000	-	-	1,845,000	
	17.9.2009	2.10	17.9.2010 – 16.9.2015	-	700,000	-	700,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	-	700,000	-	700,000	
							<u>3,245,000</u>	0.164
Kwok Man Leung	17.9.2009	2.10	17.9.2010 – 16.9.2015	-	150,000	-	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	-	150,000	-	150,000	
							<u>300,000</u>	0.015
Stella Chan Chui Sheung	17.9.2009	2.10	17.9.2010 – 16.9.2015	-	150,000	-	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	-	150,000	-	150,000	
							<u>300,000</u>	0.015
Yang Xianzu	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	-	-	300,000	
	17.9.2009	2.10	17.9.2010 – 16.9.2015	-	150,000	-	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	-	150,000	-	150,000	
							<u>600,000</u>	0.030
Liu Li Qing	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	-	-	300,000	
	17.9.2009	2.10	17.9.2010 – 16.9.2015	-	150,000	-	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	-	150,000	-	150,000	
							<u>600,000</u>	0.030
Gordon Kwong Che Keung	23.5.2007	3.26	23.5.2007 – 22.5.2012	300,000	-	-	300,000	
	17.9.2009	2.10	17.9.2010 – 16.9.2015	-	150,000	-	150,000	
	17.9.2009	2.10	17.9.2011 – 16.9.2016	-	150,000	-	150,000	
							<u>600,000</u>	0.030



## B. Employees of the Company working under continuous contracts (as defined in the Employment Ordinance), other than the Directors

Date of grant	Exercise price HK\$	Number of Share Options			
		Balance as at 1.1.2009	Granted during the year ended 31.12.2009	Exercised/ cancelled/ lapsed during the year ended 31.12.2009	Balance as at 31.12.2009
23.5.2007	3.26	7,020,000	-	300,000 (Note 2)	9,620,000 (Note 1)
17.9.2009	2.10	-	29,525,000	115,000 (Note 3)	29,410,000

### Notes:

1. Mr. Shi Cuiming retired as director on 19 March 2009 but acted as senior consultant of the Company.
2. These are in respect of options granted to former employees under continuous contracts, who had resigned in 2009. The options had lapsed during the year ended 31 December 2009.
3. These are in respect of options granted to employees under continuous contracts who had not accepted the options. These options had been cancelled during the year ended 31 December 2009.

## Directors' Interests in Securities

The interests of the directors in shares of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as at 31 December 2009 as recorded in the register required to be kept under section 352 of the SFO were as follows:

### 1. SHARES IN THE COMPANY AND ASSOCIATED CORPORATION

	Number of Shares	
	Personal interests unless otherwise stated	Percentage to the issued share capital %
<b>CITIC 1616 Holdings Limited</b>		
Yuen Kee Tong	500,000	0.0253
David Chan Tin Wai	2,000	0.0001
<b>CITIC Pacific, an associated corporation</b>		
Yuen Kee Tong	1,033,000	0.0283
David Chan Tin Wai	40,000	0.0011
Stella Chan Chui Sheung	5,000	0.0001
Yang Xianzu	20,000	0.0005
Gordon Kwong Che Keung	70,000 (Note 1)	0.0019

### Number of Shares

	Personal interests unless otherwise stated	Percentage to the issued share capital %
<b>Dah Chong Hong Holdings Limited, an associated corporation</b>		
Yuen Kee Tong	20,000	0.0011
David Chan Tin Wai	5,279	0.0003
<b>China CITIC Bank Corporation Limited (H shares), an associated corporation</b>		
David Chan Tin Wai	3,000 (Note 2)	0.00002

*Notes:*

- 20,000 shares are in respect of personal interests and 50,000 shares are in respect of corporate interests.
- These 3,000 shares are in respect of family interests.

## 2. SHARE OPTIONS IN THE COMPANY

The interests of the directors in the share options (being regarded as unlisted physically settled equity derivatives) of the Company are stated in detail in the preceding section of "Share Option Plan".

## 3. SHARE OPTIONS IN AN ASSOCIATED CORPORATION, CITIC PACIFIC

Name of director	Date of grant	Exercise period	Exercise price per share HK\$	Number of	Percentage to the issued share capital %
				share options as at 31.12.2009	
Kwok Man Leung	16.10.2007	16.10.2007 – 15.10.2012	47.32	600,000	0.016
	19.11.2009	19.11.2009 – 18.11.2014	22.00	500,000	0.014
Stella Chan Chui Sheung	16.10.2007	16.10.2007 – 15.10.2012	47.32	600,000	0.016
	19.11.2009	19.11.2009 – 18.11.2014	22.00	200,000	0.005

Save as disclosed above, as at 31 December 2009, none of the directors of the Company had nor were they taken to or deemed to have, under Part XV of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in the Listing Rules.

Save as disclosed above, at no time during the year was the Company or any of its holding companies, subsidiaries or fellow subsidiaries a party or parties 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.

## Substantial Shareholders

As at 31 December 2009, the interests of the substantial shareholders, other than the directors of the Company or their respective associates, in the shares of the Company as recorded in the register of interests in shares and short positions required to be kept under section 336 of the SFO were as follows:

Name	Number of Shares of the Company	Percentage to the issued share capital %
CITIC Group	1,039,758,283	52.573
CITIC Pacific	1,039,758,283	52.573
Crown Base International Limited	1,039,758,283	52.573
Effectual Holdings Corp.	1,039,758,283	52.573
CITIC Pacific Communications Limited ("CPC")	1,039,758,283	52.573
Douro Holdings Inc.	1,039,758,283	52.573
Ferretti Holdings Corp.	941,692,000	47.615
Ease Action Investments Corp.	941,692,000	47.615
John Zwaanstra	160,760,000	8.129
Penta Investment Advisers Limited	160,760,000	8.129
Penta Management (BVI) Ltd.	160,760,000	8.129
Old Peak Ltd.	160,760,000	8.129

CITIC Group is the ultimate holding company of CITIC Pacific and CITIC Pacific is the direct holding company of Crown Base International Limited, which is the direct holding company of Effectual Holdings Corp.. Effectual Holdings Corp. in turn holds CPC, which is then the direct holding company of Douro Holdings Inc.. Douro Holdings Inc. is the direct holding company of Ferretti Holdings Corp.. Ferretti Holdings Corp. is the direct holding company of Ease Action Investments Corp.. Accordingly, the interests of CITIC Group in the Company and the interests in the Company of all its direct and indirect subsidiaries as described above duplicate each other.

Mr. John Zwaanstra is the controlling shareholder of Penta Investment Advisers Limited, and Penta Investment Advisers Limited is the controlling shareholder of Penta Management (BVI) Ltd., which in turn is the controlling shareholder of Old Peak Ltd.. Accordingly, the interests of Mr. John Zwaanstra in the Company and the interests in the Company of all his direct and indirect controlled corporations as described above duplicate each other.

## Contracts of Significance with Controlling Shareholder

The Company and CITIC Pacific, the controlling shareholder of the Company, had entered into the following contracts of significance which were subsisting during the financial year ended 31 December 2009:

1. Administrative services agreement dated 21 March 2007 ("the Administrative Services Agreement") entered into between the Company and CITIC Pacific pursuant to which CITIC Pacific and the Company will share the company secretarial services and the internal audit services with effect from 1 January 2007. The amount payable by the Company to CITIC Pacific for the services received shall be determined on costs basis with payment terms to be agreed between the parties from time to time. The Administrative Services Agreement may be terminated if CITIC Pacific shall hold less than 30% of the shares of the Company and is terminable by giving a six months' prior notice in writing by either party. Mr. Kwok Man Leung, an executive director of CITIC Pacific, Ms. Stella Chan Chui Sheung, formerly the Company Secretary of CITIC Pacific, who has resigned with effect from 1 January 2010, and Mr. Fei Yiping, Group Financial Controller of CITIC Pacific, who was appointed as a non-executive director of the Company with effect from 1 January 2010, had indirect interests in the Administrative Services Agreement. A copy of the Administrative Services Agreement will be available for inspection at the Annual General Meeting of the Company to be held on 22 April 2010.
2. Deed of non-competition dated 21 March 2007 executed by CITIC Pacific in favour of the Company, mainly to the effect that at any time during which the shares of the Company are listed on the Stock Exchange and CITIC Pacific and/or its associates are regarded as a controlling shareholder of the Company under the Listing Rules, (i) CITIC Pacific will not engage and will procure its subsidiaries (excluding the Group) not to engage in the provisions of telecommunications hub-based service ("Restricted Activity") globally or in any other business that may compete with the Restricted Activity, and (ii) in the event that any opportunity is made available to CITIC Pacific to invest in any independent third party's business engaging in the Restricted Activity, CITIC Pacific will use its best efforts to procure that such investment opportunity is offered to the Group and the Group shall have a first right of refusal.
3. Deed of Indemnity dated 21 March 2007 given by CITIC Pacific in favour of the Company (and its subsidiaries), pursuant to which CITIC Pacific will keep the Company and its subsidiaries indemnified against any taxation falling on it resulting from or by reference to any revenue, income, profits or gains granted, earned, accrued, received or made on the listing date of the Company or any event, transaction, act or omission occurring or deemed to occur on or before the listing date of the Company.
4. Trademark licence agreement dated 21 March 2007 entered into between the Company and CITIC Pacific pursuant to which CITIC Pacific agreed to licence, on a non-exclusive basis, the trademark , for use in connection with the Group's business. The term of the agreement is from 21 March 2007 until the expiration of the current trademark registration on 26 July 2014. Either party may terminate the licence before the term by giving six months' written advance notice. No consideration is payable by the Company to CITIC Pacific for the use of the trademark as the Company is an associate of CITIC Pacific.

Apart from the above and the transactions as mentioned in the section of "Connected Transactions" and in items 2 and 3 of the section of "Continuing Connected Transactions", none of the Company or any of its subsidiaries has entered into any other contract of significance with the Company's controlling shareholder or its subsidiaries which were subsisting during the financial year ended 31 December 2009.

## Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors of the Company as at the date of this report, the Company has maintained the amount of public float as required under the Listing Rules.

## Share Capital

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year ended 31 December 2009 and the Company has not redeemed any of its shares during the year ended 31 December 2009.

## Confirmation of Independence

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the independence guidelines under the Listing Rules and that the Company still considers such directors to be independent.

## Five Year Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 26 and 27 of the annual report.

## Retirement Scheme

The Group operates a Mandatory Provident Fund Scheme. Particulars of this retirement scheme is set out in note 27 to the financial statements.

## Auditors

KPMG 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

**Xin Yue Jiang**

*Chairman*

Hong Kong, 11 February 2010