

# Report of the Directors





The Directors have pleasure in submitting their report together with the audited financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

### **Principal Activities and Analysis of Operations**

The principal activity of the Company is investment holding. The activities of the Company's principal subsidiaries (set out in Note 32 to the financial statements) are primarily ship owning and ship chartering.

### **Results and Appropriations**

The results of the Group for the year are set out in the consolidated income statement on page 84.

The Group's dividend policy is to pay out by way of interim and final dividends not less than 50% of profits available for distribution in each financial year.

Consistent with the above dividend policy and taking into consideration the Group's performance and current financial position, the Directors have recommended the payment of a final dividend of HK 22.5 cents per share for the year ended 31 December 2006. When this proposed final dividend is aggregated with the interim dividend of HK 20 cents per share declared on 22 August 2006, the total payout of HK 42.5 cents per share represents 71% of the Group's profits for the year ended 31 December 2006. The proposed final dividend for 2006 of HK 22.5 cents per share is to be considered at the 2007 Annual General Meeting scheduled for 4 April 2007.

### **Reserves**

Movements in the reserves of the Group and of the Company during the year are set out in Note 18 to the financial statements.

### **Donations**

Charitable and other donations made by the Group during the year amounted to US\$27,000.

## Placing of New Shares

On 15 November 2006, the Company issued 257,000,000 new shares at a price of HK\$4.75 per share, representing approximately 19.8% of the then existing share capital of the Company and 16.5% of the then enlarged share capital of the Company. The net proceeds of the placing were approximately US\$154.3 million (or HK\$1,199 million). The purpose of the placing was to raise capital for investment predominately in handysize and handymax vessels whenever suitable opportunities arise and to extend the Group's services beyond its traditional port to port offering to areas such as maritime infrastructure projects.

## Property, Plant and Equipment

Details of the movements in property, plant and equipment of the Group are set out in Note 6 to the financial statements.

## Share Capital

Details of the movements in share capital of the Company are set out in Note 17 to the financial statements.

## Distributable Reserves

Distributable reserves of the Company at 31 December 2006, calculated in accordance with the Companies Act 1981 of Bermuda, amounted to US\$84.9 million.

## Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's bye-laws and there is no restriction against such rights under Bermuda Law.

## Financial Summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out in the Group Financial Summary section of this Annual Report.

## Purchase, Sale or Redemption of Securities

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

## Long Term Incentive Scheme

Share options and share awards are granted to executive Directors, senior management and other employees under the Company's Long Term Incentive Scheme ("LTIS").

### (a) Purpose and eligible participants of the LTIS

The LTIS enables the Company to grant share options and share awards to eligible participants (and their related trusts and companies), being principally directors, employees, secondees, shareholders, business partners, agents, consultants or





representatives, customers of the Group or of any Controlling Shareholder, suppliers of goods and services and persons or entities that provide research, development, advisory, consultancy or professional services to the Group or any Controlling Shareholder, as an incentive or reward for their contributions to the Group.

**(b) Maximum number of shares**

The total number of shares which may be issued by the Company or transferred to (i) the trustee of the LTIS in satisfaction of share awards and (ii) in respect of options that have been granted or to be granted, under the LTIS or any other schemes must not, in aggregate, exceed 126,701,060 shares, representing 8.13% of the shares in issue as at the date of this Annual Report. As at the date of this Annual Report, 21,258,000 share options were still outstanding and 7,720,769 restricted shares were unvested under the LTIS which represents 1.86% of the issued share capital of the Company.

**(c) Limit for each Eligible Participant**

The aggregate number of shares issued and to be issued upon exercise of share options or vesting of share awards granted in any 12 month period to an eligible participant (including both exercised and outstanding options and vesting of outstanding share awards) shall not exceed 1% of the shares in issue as at the date of grant.

**(d) Basis of determining the exercise price of options**

The exercise price payable on exercise of the share options under the LTIS shall be determined by the Board and notified to each grantee. The exercise price shall not be less than the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of that share option, which must be a business day; (ii) the average of the closing prices per share as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of that share option; and (iii) the nominal value of the shares.

All notices to exercise share options shall be accompanied by a remittance for the full amount of the subscription price for the shares in respect of which the notice is given.





**(e) Procedure of granting restricted share awards**

The Board entered into a trust deed to appoint a trustee to administer share awards under the LTIS and to constitute a trust to hold property transferred by the Company to the trustee (which shall include cash or shares) in order to satisfy grants of share awards. At the direction of the Board, the trustee shall either subscribe for new shares at par from the Company or acquire existing shares in the market in accordance with the LTIS.

**(f) Remaining life of the scheme**

The LTIS will remain in force unless terminated by resolution in a general meeting or by the Board. No further share options or share awards can be offered under the LTIS after 14 July 2014, being the 10th anniversary of the adoption of the LTIS.

**(g) Awards granted**

Details of the grant of long term incentives and a summary of the movements of the outstanding incentives during the year ended 31 December 2006 under the LTIS are as follows:

**(i) Share options**

	Number of share options			Held at 31 December 2006	Exercise price per share (HK\$)
	Held at 1 January 2006	Exercised during the year <sup>2</sup>	Cancelled or lapsed during the year		
<b>Executive Directors</b>					
Christopher R. Buttery	3,200,000 <sup>1</sup>	(1,600,000)	–	1,600,000	2.50
Richard M. Hext	5,000,000	–	(5,000,000) <sup>4</sup>	–	3.875
Paul C. Over	3,200,000 <sup>1</sup>	(1,600,000)	–	1,600,000	2.50
Mark M. Harris	3,200,000 <sup>1</sup>	(3,200,000) <sup>3</sup>	–	–	2.50
	14,600,000	(6,400,000)	(5,000,000)	3,200,000	
<b>Senior Management</b>	6,100,000 <sup>1</sup>	(3,700,000)	–	2,400,000	2.50
<b>Key Staff</b>	6,920,000 <sup>1</sup>	(1,512,000)	–	5,408,000	2.50
<b>Other Employees</b>	17,150,000 <sup>1</sup>	(6,500,000)	(400,000) <sup>5</sup>	10,250,000	2.50
	44,770,000	(18,112,000)	(5,400,000)	21,258,000	

Notes:

- (1) The share options granted on 14 July 2004 vest over three years. One-third of the share options can be exercised one year after the date of grant, one-third two years after the date of grant and one-third three years after the date of grant. All share options will expire on 14 July 2014.
- (2) The weighted average closing price of the shares immediately before the dates on which the options were exercised was HK\$3.97.
- (3) Mr. Harris resigned on 7 April 2006. All unvested share options became fully vested and were fully exercised.
- (4) On 20 March 2006, the 5 million share options granted to Mr. Hext when he joined the Company as an executive Director on 5 April 2005 were cancelled and in their place he was granted 1,020,408 Shares in the form of restricted share awards.
- (5) 400,000 share options lapsed following the resignation of an employee in August 2006.

(ii) **Restricted share awards**

	Number of restricted share awards			
	As at 1 January 2006	Granted during the year	Vested or lapsed during the year	As at 31 December 2006
<b>Executive Directors</b>				
Richard M. Hext	3,333,333 <sup>1</sup>	1,020,408 <sup>2</sup>	(870,747) <sup>1&amp;2</sup>	3,482,994
Klaus Nyborg	—	2,500,000 <sup>3</sup>	(500,000) <sup>3</sup>	2,000,000
Wang Chunlin	—	550,000 <sup>4</sup>	—	550,000
<b>Key Staff</b>	577,776 <sup>5</sup>	650,000 <sup>6</sup>	(333,333) <sup>5</sup>	894,443
<b>Other Employees</b>	399,999 <sup>7</sup>	1,025,000 <sup>8</sup>	(266,667) <sup>7</sup>	1,158,332
	<u>4,311,108</u>	<u>5,745,408</u>	<u>(1,970,747)</u>	<u>8,085,769</u>

Notes:

- (1) Granted on 8 June 2005, of which (i) 666,667 Shares vested on 5 April 2006, (ii) 666,667 Shares will vest on 5 April 2007, (iii) 666,667 Shares will vest on 5 April 2008, (iv) 666,666 Shares will vest on 5 April 2009 and (v) 666,666 Shares will vest on 5 April 2010.
- (2) Granted on 20 March 2006, of which (i) 204,080 Shares vested on 5 April 2006, (ii) 204,080 Shares will vest on 5 April 2007, (iii) 204,080 Shares will vest on 5 April 2008, (iv) 204,080 Shares will vest on 5 April 2009 and (v) 204,088 Shares will vest on 5 April 2010.
- (3) Granted on 19 September 2006, of which 500,000 Shares vested on 19 September 2006 and 500,000 Shares will vest on each of 4 September 2008, 2009, 2010 and 2011.
- (4) Granted on 9 March 2006 and 110,000 Shares have vested on 1 March 2007 and an equal amount of 110,000 Shares will vest on each of 1 March 2008, 2009, 2010 and 2011.
- (5) Granted on 8 June 2005, of which (i) 88,888 Shares lapsed in August 2006 due to the resignation of a key staff; (ii) 244,445 Shares vested on 30 November 2006 and (iii) 244,443 Shares will vest on 30 November 2007.
- (6) 400,000 Shares were granted on 9 March 2006 and 80,000 Shares have vested on 1 March 2007 and an equal amount of 80,000 Shares will vest on each of 1 March 2008, 2009, 2010 and 2011 respectively.  
  
250,000 Shares were granted on 21 July 2006, of which 50,000 Shares will vest on each of 23 August 2007, 2008, 2009, 2010 and 2011 respectively.
- (7) Granted on 8 June 2005, of which (i) 133,333 Shares lapsed in January 2006 due to resignation of an employee; (ii) 133,334 Shares vested on 30 November 2006 and (iii) 133,332 Shares will vest on 30 November 2007.
- (8) 825,000 Shares were granted on 9 March and 15 March 2006, of which 175,000 Shares have vested on 1 March 2007, and an equal amount of 162,500 Shares will vest on each of 1 March 2008, 2009, 2010 and 2011 respectively.  
  
200,000 Shares were granted on 21 July 2006, of which 40,000 Shares will vest on each of 23 August 2007, 2008, 2009, 2010 and 2011 respectively.

The closing price of the shares of the Company immediately before the 5,745,408 restricted share awards on their respective grant dates were:

Date	Number of restricted share granted	HK\$
9 March 2006	1,475,000	3.775
15 March 2006	300,000	3.800
20 March 2006	1,020,408	3.825
21 July 2006	450,000	3.875
19 September 2006	2,500,000	4.640

#### (h) Valuation of the share options

Based on a report prepared by Watson Wyatt Hong Kong Limited, the fair market values of the share options granted on 14 July 2004 under the LTIS based on the binomial option pricing model are as follows:

Tranche	Exercise period	Fair value per share option HK\$	Number of share options as at date of grant
1	14 July 2005 to 13 July 2014	0.838	18,500,000
2	14 July 2006 to 13 July 2014	0.839	18,500,000
3	14 July 2007 to 13 July 2014	0.825	18,500,000
			<u>55,500,000</u>

Note: Key assumptions included an expected dividend yield of 8% per annum, volatility of the Company's share price of 50% per annum, a risk-free rate of interest of 4% and 4.1% per annum on the respective grant dates, that the employees will exercise their share options if the share price is 100% above the exercise price, and an expected rate of leaving service of eligible employees after the vesting date of 0.4% per annum.

Save as disclosed above, no right to subscribe for the securities of the Company nor its associated corporations within the meaning of the Securities and Futures Ordinance (the "SFO"), has been granted by the Company to, nor have any rights been exercised by, any person during the year.



## Directors

The Directors<sup>1</sup> who held office up to the date of this Annual Report are set out below:

	Date of appointment					Terms of appointment
	Board	Audit Committee	Remuneration Committee	Nomination Committee	Executive Committee	
<b>Executive Directors</b>						
Christopher R. Buttery (Chairman)	15 March 2004	–	–	–	27 July 2005	3 years from 1 April 2004
Richard M. Hext <sup>2</sup> (Chief Executive Officer & Chairman of Executive Committee)	5 April 2005	–	–	–	27 July 2005	3 years from 5 April 2005
Klaus Nyborg (Deputy Chief Executive Officer)	4 September 2006	–	–	–	4 September 2006	3 years from 4 September 2006
Paul C. Over <sup>3</sup>	15 March 2004	–	–	–	–	3 years from 1 April 2004
Wang Chunlin	1 September 2006	–	–	–	1 September 2006	3 years from 1 September 2006
Mark M. Harris <sup>4</sup> (Group Chief Executive) (Stepped down on 7 April 2006)	15 March 2004	–	–	–	27 July 2005	3 years from 1 April 2004
<b>Non-executive Directors</b>						
Daniel R. Bradshaw <sup>2</sup> (Deputy Chairman)	7 April 2006	7 April 2006	7 April 2006	7 April 2006	–	3 years from 7 April 2006
Dr. Lee Kwok Yin, Simon <sup>5</sup>	15 March 2004	–	15 September 2004	1 March 2005	–	3 years from 6 June 2006
Brian P. Friedman <sup>6</sup> (Stepped down on 17 May 2006)	15 March 2004	–	15 September 2004	1 March 2005	–	3 years from 6 June 2006
<b>Independent non-executive Directors</b>						
Patrick B. Paul (Chairman of Audit Committee)	25 March 2004	18 May 2004	10 June 2004	30 November 2004	–	3 years from 28 May 2004
Robert C. Nicholson (Chairman of Remuneration Committee & Nomination Committee)	25 March 2004	18 May 2004	10 June 2004	30 November 2004	–	3 years from 28 May 2004
David M. Turnbull	17 May 2006	17 May 2006	17 May 2006	17 May 2006	–	3 years from 17 May 2006
The Earl of Cromer <sup>7</sup>	25 March 2004	18 May 2004	10 June 2004	30 November 2004	–	3 years from 28 May 2006



**Notes:**

- (1) Pursuant to Bye-law 87(1), one-third of the Directors shall retire from office by rotation at each annual general meeting and retiring Directors shall be eligible for re-election at the annual general meeting.
- (2) Mr. Hext assumed the position of Chief Executive Officer from the conclusion of the 2006 Annual General Meeting held on 7 April 2006 and at the same time resigned as Deputy Chairman. The position of Deputy Chairman was assumed by Mr. Bradshaw who was appointed as a non-executive Director from the conclusion of the 2006 Annual General Meeting.
- (3) Mr. Over has tendered notice that he will resign as an executive Director with effect from 31 March 2007. However, Mr. Over will assume the position of Senior Advisor to the Company with effect from 1 April 2007. His main roles as a Senior Advisor will be in marketing the IHX pool as well as business development in the Middle East and Atlantic markets.
- (4) Mr. Harris resigned as the Group Chief Executive and an executive Director with effect from 7 April 2006.
- (5) Dr. Lee was re-nominated as a non-executive Director in June 2005 for a further 12 months until 5 June 2006. He was re-elected at the 2006 Annual General Meeting and his term of appointment was extended for 3 years until June 2009.
- (6) Mr. Friedman resigned as a non-executive Director with effect from 17 May 2006.
- (7) The Earl of Cromer was re-elected at the 2006 Annual General Meeting and his term of appointment was extended for 3 years until 28 May 2009.

Messrs. Patrick B. Paul and Robert C. Nicholson will retire at the forthcoming 2007 Annual General Meeting by rotation pursuant to the Company's Bye-laws 87(1) & (2), and, being eligible, will offer themselves for re-election.

In accordance with Bye-law 86(2) of the Company, Messrs. Christopher R. Buttery, Klaus Nyborg, Wang Chunlin, Daniel R. Bradshaw and David M. Turnbull, whose terms of appointment were extended by the Board or who were newly appointed by the Board during 2006, being eligible, will offer themselves for re-election at the forthcoming 2007 Annual General Meeting.

**Directors' Service Contracts**

None of the Directors who are proposed for re-election at the forthcoming 2007 Annual General Meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

**Directors' Interests in Contracts of Significance**

No contracts of significance in relation to the Group's business to which the Company 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.

**Biographical Details of Directors and Senior Management**

Brief biographical details of Directors and senior management are set out in the Directors, Senior Management and Key Staff section of this Annual Report.



## Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company or Any Associated Corporation

At 31 December 2006, the discloseable interests and short positions of each Director and the Chief Executive in shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, which: (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO, or (b) were required to be entered in the register maintained by the Company under Section 352 of the SFO or (c) were required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Director	Corporate interests	Personal interests	Trust & similar interests	Number of underlying Shares under equity derivatives (Share options)	Total Share interests	Approximate percentage of the issued share capital of the Company
Christopher R. Buttery	–	2,813,308	11,786,905 <sup>2</sup>	1,600,000 <sup>1</sup>	16,200,213	1.04%
Richard M. Hext	–	3,653,741 <sup>1</sup>	–	–	3,653,741	0.23%
Klaus Nyborg	–	2,900,000 <sup>1</sup>	–	–	2,900,000	0.19%
Paul C. Over	–	–	11,767,521 <sup>3</sup>	1,600,000 <sup>1</sup>	13,367,521	0.86%
Wang Chunlin	–	550,000 <sup>1</sup>	–	–	550,000	0.035%
Daniel R. Bradshaw	869,417 <sup>4</sup>	–	–	–	869,417	0.056%
Dr. Lee Kwok Yin, Simon	–	–	130,106,220 <sup>5</sup>	–	130,106,220	8.35%
Patrick B. Paul	–	20,000	–	–	20,000	0.001%

Notes:

- (1) Share options and restricted share awards were granted to certain Directors under the LTIS and have been disclosed from page 70 to page 72 under Long Term Incentive Scheme of this Report of the Directors. The personal interests of Mr. Nyborg constitute 400,000 shares and 2.5 million shares in the form of restricted shares granted to him pursuant to the LTIS.
- (2) 11,786,905 shares are owned by Turnwell Limited. Mr. Buttery is deemed to be interested in the entire share capital of Turnwell Limited under the SFO as its shares are held by a discretionary trust set up by him and the discretionary objects of which include himself and his family members.
- (3) 11,767,521 shares are owned by Ansleigh Limited. Mr. Over is deemed to be interested in the entire share capital of Ansleigh Limited under the SFO as its shares are held by a discretionary trust set up by him and the discretionary objects of which include himself and his family members.
- (4) Mr. Bradshaw is a shareholder holding 100% and 50% of the issued share capital, respectively, in Cormorant Shipping Limited and Goldeneye Shipping Limited. He beneficially owns 353,241 Shares via Cormorant Shipping Limited and is taken to be interested in the 516,176 Shares held by Goldeneye Shipping Limited.
- (5) 19,935,122 shares, 1,059,725 shares, 22,335,373 shares, 36,370,000 shares, 45,906,000 shares and 4,500,000 shares are beneficially owned by Asia Distribution Limited, Firelight Investments Limited, Eagle Pacific International Limited, Wellex Investment Limited, Fortress Eagle Investment Limited and Invest Paradise International Limited, respectively. These companies are controlled by discretionary trusts established by Dr. Lee, the discretionary objects of which include his family members.

All the interests stated above represent long positions. No short positions were recorded in the register maintained by the Company under section 352 of the SFO as at 31 December 2006.

Save as disclosed above, at no time during the year was the Company, its subsidiaries, or its associates a party to any arrangement to enable the Directors and Chief Executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

### **Substantial Shareholders' Interests and Short Positions in the Shares and Underlying Shares of the Company**

The register of substantial shareholders maintained under Section 336 of the SFO shows that as at 31 December 2006, the Company had been notified of the following substantial shareholders' interests and short positions, being 5% or more of the Company's issued share capital.

<b>Name</b>	<b>Capacity/ Nature of interest</b>		<b>Number of shares</b>	<b>Approx. percentage of the issued share capital of the Company</b>
Dr. Lee Kwok Yin, Simon	Founder of a discretionary trust	Long Positions	130,106,220	8.35%
		Short Positions	–	–
BNP Paribas Jersey Trust Corporation Limited <sup>1</sup>	Trustee	Long Positions	130,106,220	8.35%
		Short Positions	–	–
JP Morgan Chase & Co. <sup>2</sup>	Beneficiary owner, investment manager and approved lending agent	Long Positions	97,980,200	6.29%
		Short Positions	–	–

Notes:

- (1) The shares held by BNP Paribas Jersey Trust Corporation Limited are held in the capacity of a trustee for discretionary trusts established by Dr. Lee Kwok Yin, Simon.
- (2) The shares held by JP Morgan Chase & Co. are held in the capacities of beneficial owner (relating to 350,000 shares), investment manager (relating to 27,888,000 shares) and custodian corporation/approved lending agent (relating to 69,742,200 shares).

## Management Contracts

No contracts 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.

## Major Customers and Suppliers

During the year, the Group sold less than 30% of its goods and services to its five largest customers and purchased less than 30% of its goods and services from its five largest suppliers.

## Connected Transactions

During the year, the Group had the following connected transaction that was subject to the Listing Rules' reporting requirements for disclosure in this Annual Report:

### Insurance services from Sun Hing Insurance Brokers Limited ("Sun Hing")

Sun Hing has been appointed as a provider of insurance services to the Group on a non-exclusive basis, pursuant to an agreement dated 4 June 2004 with expiration on 31 December 2006 ("Main Agreement"). Sun Hing has provided such services in connection with arranging insurance policies in respect of the general affairs of the Group. Such services were provided to the Group on commercial terms and in the ordinary course of Sun Hing's business.

Sun Hing is approximately 35% owned indirectly by, and therefore an associate (as defined under the Listing Rules) of, Dr. Lee Kwok Yin, Simon, one of the Directors of the Company.

The Company paid to Sun Hing insurance premiums of insurance policies taken out via Sun Hing as agent during the term of the Main Agreement. The premiums were received by Sun Hing on behalf of the relevant insurers, and Sun Hing earned brokerage commission thereon from the insurers.

For the year ended 31 December 2006, premiums payable to Sun Hing amounted to US\$0.3 million which is within the approved cap of US\$1.0 million as disclosed in the Company's prospectus dated 30 June 2004.

Pursuant to the waiver letter issued by the Stock Exchange in respect of the above transaction, this connected transaction could be exempted if certain conditions are fulfilled based on the confirmation from independent non-executive Directors that this transaction satisfies the following conditions:

- (a) the continuing connected transaction disclosed above is entered into by the Group in the ordinary and usual course of business;
- (b) the continuing connected transaction has been entered into on an arm's length basis and conducted either on normal commercial terms, or where there is no available comparison, on terms no less favourable to the Group than those available to or from independent third parties; and
- (c) the continuing connected transaction has been entered into in accordance with the agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The independent non-executive Directors of the Company are satisfied that the above conditions had been met in 2006.

In accordance with paragraph 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Board of Directors engaged the auditors of the Company to perform certain procedures on the above continuing connected transaction on a sample basis in accordance with Hong Kong Standard on Related Services 4400 “Engagements to Perform Agreed-Upon Procedures Regarding Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. The auditors have reported their factual findings to the Board of Directors.

Based on the work performed, the external auditor of the Company have reported that the aforesaid continuing connected transaction (a) has been approved by the Board of the Company; (b) has been entered into in accordance with the terms of the relevant agreement governing the transaction, based on the sample selected; and (c) has not exceeded the caps allowed by the Stock Exchange in the previous waiver.

On 12 September 2006, the Company entered into a supplemental agreement with Sun Hing to renew the Main Agreement for a further term of three years until 31 December 2009 (the “Supplemental Agreement”). The continuing connected transaction contemplated under the Supplemental Agreement is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempted from the independent shareholders’ approval requirement. Please refer to the announcement published on 12 September 2006 for details.

It is expected that the premiums payable by the Group to Sun Hing as agent on behalf of the relevant insurers for the three years ending 31 December 2007, 31 December 2008 and 31 December 2009 shall not exceed US\$530,000, US\$750,000 and US\$1,100,000 respectively (the “Annual Caps”). Such Annual Caps are estimated by the Group based on the relevant historical premiums paid by the Group, estimated future increases of such premiums, the estimated future number of employees and the estimated general insurance needs of the Group for each of the financial years 31 December 2007, 2008 and 2009.

### **Compliance with the Code on Corporate Governance Practices**

Throughout the year, the Company has complied with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules. Please also refer to the Corporate Governance Report of this Annual Report.

### **Audit and Remuneration Committees**

Details of the audit and remuneration committees are set out in the Corporate Governance Report of this Annual Report.



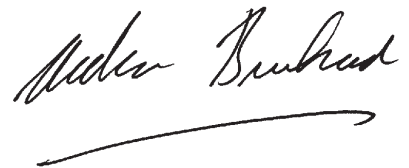
### **Auditors**

The financial statements have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment.

### **Public Float**

On the basis of information that is publicly available to the Company and within the knowledge of the Directors as at the date of this Annual Report, the Company has complied with the public float requirements of the Listing Rules.

By Order of the Board

A handwritten signature in black ink, appearing to read 'Andrew Broomhead', with a long, sweeping horizontal line underneath it.

**Andrew T. Broomhead**  
*Company Secretary*

Hong Kong, 5 March 2007