
Directors' Report

The Directors have pleasure in presenting to shareholders their report for the year ended 31 December 2008.

Principal Activities

The principal activity of the Company is to hold the subsidiaries, associates and joint venture through which its business operations are carried out, employing staff and raising finance. Their major areas of operation are set out in the Business Review on pages 6 to 43.

Dividends

No final dividend was recommended for the year ended 31 December 2008. An interim dividend of HK\$0.30 per share was paid on 26 September 2008. This represents a total distribution for the year of HK\$658 million.

Reserves

The amounts and particulars of transfer to and from reserves during the year are set out in Note 28 to the financial statements.

Donations

Donations made by the Group during the year amounted to HK\$17 million.

Fixed Assets

Movements of fixed assets are set out in the Financial Statements on pages 133 to 137.

Major Customers and Suppliers

The aggregate percentage of purchases from the Group's five largest suppliers is less than 30%. The aggregate percentage of sales to the Group's five largest customers is less than 30%.

No directors, their associates or shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) were interested at any time in the year in the above suppliers or customers.

Subsidiary Companies

The names of the principal subsidiary companies, their principal places of operation, their countries of incorporation and particulars of their issued share capital are set out in Note 44 to the financial statements.

Issue of Debt Securities

On 1 June 2001, CITIC Pacific Finance (2001) Limited, a wholly owned subsidiary of the Company, issued and sold a total of US\$450 million principal amount of 7.625% guaranteed notes due 2011 ('Guaranteed Notes') for refinancing the indebtedness of the Company and for general corporate purposes, to investors pursuant to the purchase agreements dated 24 May 2001 and 1 June 2001. All of the Guaranteed Notes remained outstanding at the end of the year.

On 26 October 2005, CITIC Pacific Finance (2005) Limited, a wholly owned subsidiary of the Company, issued and sold JPY8.1 billion in aggregate principal amount of guaranteed floating rate notes due 2035 ('JPY Notes') to investors for general corporate purposes pursuant to a subscription agreement dated 26 October 2005. The coupon and principal of the JPY Notes was swapped into Hong Kong Dollar through cross currency swap and net proceeds equivalent to HK\$400 million was received. The JPY Notes holders have a one time right to put the JPY Notes to the issuer at 81.29% of the principal amount together with accrued interest on 28 October 2015. All of the JPY Notes remained outstanding at the end of the year.

Save as aforesaid, neither the Company nor its subsidiary companies have issued any debt securities.

Borrowings

Particulars of borrowings of the Group are set out in Note 29 to the financial statements.

Issue of Convertible Bond and New Shares

On 12 November 2008, the Company entered into an agreement ('the Agreement') with CITIC Group, the largest shareholder of the Company holding approximately 29% of the issued shares of the Company as at the date of the Agreement, in connection with, inter alia, the issue by the Company of the Convertible Bond to CITIC Group with an aggregate principal amount of HK\$11.625 billion convertible into the Shares at an initial conversion price of HK\$8.00 per share. An interest coupon of 2% per annum would be payable from the time of issue of the Convertible Bond up to but excluding the date the Convertible Bond was to be converted into shares of the Company.

The Agreement was approved by the shareholders of the Company on 19 December 2008. Completion took place on 24 December 2008 on which the Convertible Bond was issued and automatically fully converted into shares of the Company. An aggregate of 1,453,125,000 shares of the Company at the price of HK\$8.00 per share were allotted and issued on conversion to certain subsidiaries of CITIC Group which, as a result, became the controlling shareholder of the Company holding approximately 57.56% interest in the Company. The consideration for 1,453,125,000 shares of the Company (being HK\$11.625 billion) was paid as to HK\$2.47 billion in cash with the remaining amount being set off against the amount payable by the Company to CITIC Group in respect of the novation of certain AUD target redemption forward contracts entered into by the Group. The cash received was to be used as general working capital for the Group.

Directors

Mr Kwok Man Leung was appointed as an executive director of the Company with effect from 1 April 2008 and Messrs Leslie Chang Li Hsien and Chau Chi Yin resigned as directors with effect from 20 October 2008. Messrs Zhang Jijing and Ju Weimin were appointed as non-executive directors of the Company with effect from 1 April 2009. Except for these changes, the directors of the Company whose names and biographical details appear on pages 80 to 82 were the directors in office during the whole of financial year ended 31 December 2008.

In accordance with Article 95 of the New Articles of Association of the Company, Messrs Zhang Jijing and Ju Weimin will hold office only until the forthcoming Annual General Meeting and are then eligible for re-election. In addition, pursuant to Article 104(A) of the New Articles of Association of the Company, Messrs Larry Yung Chi Kin, Peter Lee Chung Hing, Milton Law Ming To, Wang Ande, Alexander Reid Hamilton and Hansen Loh Chung Hon shall retire by rotation in the forthcoming Annual General Meeting and all, being eligible, offer themselves for re-election.

The Company has received from each independent non-executive director an annual confirmation of his independence pursuant to the independence guidelines under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ('Listing Rules') and that the Company still considers such directors to be independent.

Management Contract

The Company entered into a management agreement with CITIC Hong Kong (Holdings) Limited ('CITIC HK') on 11 April 1991 but with retrospective effect from 1 March 1990 in which CITIC HK agreed to provide management services to the Company and its subsidiary companies for a management fee calculated on a cost basis to CITIC HK payable quarterly in arrears. The management agreement is terminable by two months' notice by either party. Messrs Larry Yung Chi Kin, Henry Fan Hung Ling and Liu Jifu had indirect interests in the management agreement as they are directors of CITIC HK. A copy of the management agreement will be available for inspection at the Annual General Meeting of the Company to be held on 25 May 2009.

Directors' Interests in Contracts of Significance

None of the directors of the Company has or at any time during the year had, an interest which is or was material, either directly or indirectly, in any contract with the Company, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies, which was significant in relation to the business of the Company, and which was subsisting at the end of the year or which had subsisted at any time during the year.

Competing Interests

Mr Zhang Jijing is an executive director of CITIC Resources Holdings Limited, a company listed on the main board of the Hong Kong Stock Exchange. CITIC Resources Holdings Limited is a diversified energy and natural resources investment holding company and through its subsidiaries has interests in aluminium smelting, coal, import and export of commodities, manganese mining and processing and oil exploration, development and production. Further details of its nature, scope and size of its business as well as its management could be found in the latest annual report of CITIC Resources Holdings Limited. In the event that there are transactions between CITIC Resources Holdings Limited and CITIC Pacific Limited, Mr Zhang will abstain from voting. Save as disclosed above, Mr Zhang is not directly or indirectly interested in any business that constitutes or may constitute a competing business of the Company.

Connected Transactions

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

1. On 16 May 2008, Jiangyin Xingcheng Special Steel Works Co., Ltd. ('Xingcheng', a 79% owned subsidiary of the Company), Ipson Investments Limited ('Ipson', a wholly owned subsidiary of the Company) and Perfect Future International Limited ('Perfect Future') entered into a joint venture agreement for the formation of Jiangsu Fasten Zhangyuan Metalwork Co., Ltd. ('Jiangsu Metalwork', subsequently renamed as Jiangyin Xingcheng Metalwork Co., Ltd.) which is engaged in the development and production of alloy and metal hardware for construction, instrument and daily use. Jiangsu Metalwork is owned as to 51% by Xingcheng, 39.2% by Ipson and 9.8% by Perfect Future. The total consideration paid by the Group (i.e. Xingcheng and Ipson) for the 90.2% aggregate interest in Jiangsu Metalwork was RMB 126,036,460. The registered capital and the total investment of Jiangsu Metalwork are US\$12,000,000 and US\$29,800,000 respectively.

Perfect Future is a connected person of the Company as it is a substantial shareholder of certain subsidiaries of the Company engaging in steel manufacturing business and is also an associate of a director of certain subsidiaries of the Company.

2. On 2 July 2008, 湛江市駿凱汽車技術服務有限公司 (Zhanjiang Junkai Motors Technology and Service Limited) ('Zhanjiang Junkai'), a wholly owned subsidiary of DCH Holdings, entered into an enterprise purchase agreement with 雲南中凱集團有限公司 (Yunnan Zhongkai Holdings Limited) ('Yunnan Zhongkai'), Ms Qu Guijing and 雲南聯致汽車服務有限公司 (Yunnan Lianzhi Motors Service Limited) ('Yunnan Lianzhi') under which Zhanjiang Junkai agreed to purchase, and Yunnan Zhongkai agreed to sell, (i) the 80% equity interest in the registered capital of Yunnan Lianzhi held by Yunnan Zhongkai at the consideration of RMB 5,477,374.37 which was calculated with reference to the net assets of Yunnan Lianzhi as at 30 April 2008 subject to adjustment when the financial statements of Yunnan Lianzhi as at 30 June 2008 were finalised; and (ii) the benefit of the amount payable by Yunnan Lianzhi to Yunnan Zhongkai as a result of the advances made by Yunnan Zhongkai for Yunnan Lianzhi as at 30 June 2008 at book value. As a reference, the said amount payable as at 30 April 2008 was RMB 9,476,548.07. The consideration of RMB 5,477,374.37 was subsequently adjusted to RMB 5,406,677.28 with reference to the net assets of Yunnan Lianzhi as at 30 June 2008 whereas the amount payable by Yunnan Lianzhi to Yunnan Zhongkai as at 30 June 2008 was RMB 7,576,548.07. Yunnan Lianzhi is engaged in motor vehicle dealing. The aforesaid acquisition was completed during the year. Since completion, Yunnan Lianzhi had been accounted for as a non-wholly owned subsidiary of DCH Holdings.

Yunnan Zhongkai is a connected person of DCH Holdings and the Company as it is (i) a substantial shareholder of certain subsidiaries of DCH Holdings; and (ii) an associate of a director of various subsidiaries of DCH Holdings engaged in motor vehicle dealing. Ms Qu Guijing is also a connected person of DCH Holdings and the Company by virtue of her being an associate of the said director. The abovesaid acquisition constituted a connected transaction of DCH Holdings and the Company under the Listing Rules.

3. On 26 August 2008, DCH Holdings and its wholly owned subsidiary Delight Star Enterprises Limited ('DSE') entered into a sale and purchase agreement ('the 4S Acquisition Agreement') with Denker Investment Limited ('DIL') and Mr Mak Hing Lung, pursuant to which DSE (or its nominee) agreed to acquire from DIL 49% and 50% equity interests in Strong Step Holdings Limited and Star Partner Holdings Limited (collectively 'the 4S Target Companies') respectively, and the related shareholders' loans for a total consideration of HK\$143,716,000. The 4S Target Companies are DIL's holding vehicles for its interests in the businesses relating to the provision of vehicle sales, spare parts, maintenance services and customer survey services in respect of the 'FAW Toyota' brand in Guangzhou and Foshan, the PRC and 'Lexus' brand in Guangzhou, the PRC.

The abovesaid acquisition was completed during the year. After completion, the existing guarantees in favour of the 4S Target Companies were to be replaced by replacement guarantees provided by DSE and DIL. Such replacement guarantees were expected not to exceed HK\$80,000,000. In addition, each of DIL and DSE would contribute an expected amount not exceeding HK\$100,000,000 to the 4S Target Companies by way of equity or loan in proportion to their existing interests in the 4S Target Companies for working capital purpose.

Since completion, DSE had a 50% economic interest in each of the 4S Target Companies and the 4S Target Companies had been accounted for as non-wholly owned subsidiaries of DCH Holdings.

As DIL is a substantial shareholder and Mr Mak Hing Lung is a director of various subsidiaries of DCH Holdings, both DIL and Mr Mak Hing Lung are connected persons of DCH Holdings and the Company. The 4S Target Companies are also connected persons of DCH Holdings and the Company by virtue of their being associates of Mr Mak Hing Lung. The transactions contemplated by the abovesaid acquisition and financial assistance constituted connected transactions for DCH Holdings and for the Company under the Listing Rules.

After completion, certain subsidiaries of the 4S Target Companies ('the 4S OPCOs') were held by persons which have the legal capacity under the regulation as registered shareholders ('the Registered Owners') for the benefits of the respective 4S Target Companies and its subsidiaries ('the 4S Target Group') through a series of contractual arrangements implemented by the 4S Target Group prior to the conversion of relevant 4S OPCOs into companies which could be owned by foreign enterprises. Such contractual arrangements are fundamental to the legal structure and business operations of the 4S Target Group and are specifically designed for the purpose of allowing the 4S Target Group (a) to enjoy all the economic benefits, to exercise management control over the operations and to prevent leakages of assets and values to the registered owners of the relevant 4S OPCOs; and (b) to acquire, if and when permitted by the relevant PRC laws, the equity interests in the relevant 4S OPCOs at the minimum transfer price permitted under the relevant PRC laws and regulations (i.e. at nil consideration or at a nominal value).

The Registered Owners are connected persons of DCH Holdings and the Company by virtue of his/her directorship and/or substantial shareholding in certain subsidiary(ies) of DCH Holdings. The abovesaid contractual arrangements also constituted connected transactions for DCH Holdings and for the Company.

Pursuant to the 4S Acquisition Agreement, DIL and Mr Mak Hing Lung had guaranteed that the aggregate of (i) 100% of the audited net profit after taxation of Guangzhou Guangbao Toyota Motors Sale and Service Limited ('Guangzhou Guangbao') (excluding Foshan Junan Toyota Motors Sale and Service Limited and any of its subsidiaries and investments) and (ii) 55% of the audited net profit after taxation of Guangzhou Junjia Lexus Motors Sale and Service Limited ('Guangzhou Junjia') (excluding any of its subsidiaries and investments), for the period from 1 August 2008 to 31 December 2008 and each of the two years ending 31 December 2010 shall be no less than RMB 12.9 million, RMB 31 million and RMB 31 million respectively (together 'the Guaranteed Profits'). In the event that the adjusted pro-rata net profit after taxation from Guangzhou Guangbao and Guangzhou Junjia ('the Adjusted Pro-rata Net Profit') for the aforesaid period(s) is / are less than the Guaranteed Profits, 50% of such shortfall shall be indemnified by DIL and Mr Mak Hing Lung to the DCH Holdings group on a dollar-to-dollar basis in cash. The Adjusted Pro-rata Net Profit for the period from 1 August 2008 to 31 December 2008 had met with the Guaranteed Profits.

Each of DIL and Mr Mak Hing Lung had undertaken to DCH Holdings that, upon completion, the aggregate of 100% and 55% of the net asset value of Guangzhou Guangbao and Guangzhou Junjia (excluding any of their respective subsidiaries and investments), respectively, would be no less than approximately HK\$63.8 million ('the Guaranteed Net Asset Value'). In the event the actual net asset value of Guangzhou Guangbao and Guangzhou Junjia (excluding their respective subsidiaries and investments) attributable to DCH Holdings group ('the Target Net Asset Value') falls below the Guaranteed Net Asset Value, DIL and Mr Mak Hing Lung had undertaken that 50% of such shortfall shall be indemnified. The Target Net Asset Value was more than the Guaranteed Net Asset Value on completion.

4. On 27 August 2008, Joy Talent Holdings Limited ('Joy Talent', a wholly owned subsidiary of the Company) entered into a capital increase agreement with Tongling Industrial Stated-owned Assets Operation Co., Ltd. ('Tongling Industrial'), pursuant to which (i) the registered capital of Tongling Xin Yaxing Coking & Chemical Co., Ltd. ('Tongling Xin Yaxing', a non-wholly owned subsidiary of the Company), which is engaged in the construction and operation of a coking project to provide coking coal and chemical by-products, would be increased from US\$50 million to US\$99.8 million; and (ii) the total investment amount of Tongling Xin Yaxing would be increased from US\$99.8 million to US\$199.6 million. Joy Talent would solely contribute the full amount of the increase in registered capital, being US\$49.8 million, in stages. Upon completion of the said capital increase, Tongling Industrial's equity interest in Tongling Xin Yaxing was diluted from 15% to approximately 7.515%, and Joy Talent's equity interest in Tongling Xin Yaxing increased from 85% to approximately 92.485%.

Tongling Industrial, being a substantial shareholder of Tongling Xin Yaxing before completion of the said capital increase, is a connected person of the Company.

5. On 12 November 2008, the Company entered into an agreement ('the Agreement') with CITIC Group in connection with:

- i) the issue by the Company of a convertible bond ('the Convertible Bond') to CITIC Group with an aggregate principal amount of HK\$11.625 billion which would be convertible into shares of the Company at an initial conversion price of HK\$8.00 per share. An interest coupon of 2% per annum would be payable from the time of issue of the Convertible Bond up to but excluding the date the Convertible Bond was to be converted into shares of the Company; and
- ii) the novation to CITIC Group of the liabilities and benefits under certain AUD target redemption forward contracts entered into by the Group ('Novation').

The Agreement including the conversion price and the terms of the Novation was negotiated on an arm's length basis. The Agreement was approved by the shareholders of the Company on 19 December 2008. Completion of the Agreement took place on 24 December 2008 on which the Convertible Bond was issued and automatically converted in full into shares of the Company. Following the conversion of the Convertible Bond on completion, an aggregate of 1,453,125,000 shares of the Company at the price of HK\$8.00 per share were allotted and issued to certain subsidiaries of CITIC Group which became the controlling shareholder of the Company holding approximately 57.56% interest in the Company. CITIC Group paid approximately HK\$2.47 billion to the Company, being the net amount payable by way of setting off monies due from CITIC Group under the subscription of the 1,453,125,000 shares of the Company (being HK\$11.625 billion) against the amount payable by the Company to CITIC Group in respect of the Novation (being approximately HK\$9.155 billion).

CITIC Group is a substantial shareholder of the Company as at the date of Agreement and is therefore a connected person of the Company. The transactions are also disclosed as material related party transactions under note 39 to the financial statements.

Continuing Connected Transactions

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

1. On 19 March 2008, Jiangsu Ligang Electric Power Company Limited and Jiangyin Ligang Electric Power Generation Company Limited (collectively the 'Power Companies'), principally engaged in the construction and operation of the power station(s) in Ligang, the PRC, entered into an agreement ('Coal Transportation Agreement') with Shanghai CITIC Shipping Corporation Limited ('CITIC Shipping'), pursuant to which CITIC Shipping agreed to provide the Power Companies with coal transportation services for the 3 years ending 31 December 2010. The service fee payable under the Coal Transportation Agreement was negotiated on an arm's length basis and shall be equal to the prevailing market rate of transportation fee per ton as confirmed by the parties from time to time. The annual caps for the service fees (nett of demurrage fee) to be incurred for the transaction was estimated to be RMB 500 million (approximately HK\$550 million) for each of the 3 years ending 31 December 2010.

CITIC Shipping is a subsidiary of CITIC HK, a substantial shareholder of the Company, and thus a connected person of the Company.

The actual amount paid by the Power Companies to CITIC Shipping for the year ended 31 December 2008 under the Coal Transportation Agreement was approximately RMB 327.65 million.

2. 廣東偉德利電器製造有限公司 (Guangdong Victory Electrical Appliances Manufacturing Co., Ltd.) ('Guangdong Victory') was previously a 20% associate of DCH Holdings and became a wholly owned subsidiary of DCH Holdings on 29 August 2008. Before DCH Holdings' acquisition of all the interests in Guangdong Victory, an agency agreement was entered into between Guangdong Victory and its then intermediate holding company, Anping Holdings Inc. ('Anping'), on 1 August 2008 for a term of 6 months under which Anping agreed to act as the selling agent for Guangdong Victory. Under the agency agreement, goods of Guangdong Victory would be sold to Anping at such prices as might be mutually agreed by the parties provided that such prices should not be lower than the prevailing market prices or, if there were no such market prices, those prices that were offered by Guangdong Victory to other third parties. Guangdong Victory is principally engaged in the manufacturing of small electrical appliances in the PRC, focusing in producing electrical kettle and non-stick kitchenware for worldwide brands covering Europe, North America, Australia and New Zealand markets. Anping is engaged in investment holding and trading of small electrical appliances.

Anping is an associate of a director of Guangdong Victory and therefore is a connected person of DCH Holdings and the Company. After DCH Holdings' acquisition of all the interest in Guangdong Victory, transactions under the agency agreement became post-completion continuing connected transactions for DCH Holdings and for the Company.

An aggregate amount of approximately HK\$63.5 million was payable by Anping to Guangdong Victory during the period from the completion of the acquisition to 31 December 2008 under the agency agreement.

3. Pursuant to a contract for unit load device ('ULD') maintenance and repair entered into between DAS Nordisk Limited ('DAS Nordisk'), a non-wholly owned subsidiary of DCH Holdings, and Cathay Pacific Airways Limited ('CX') dated 1 July 2005 (with a term which expired on 30 June 2008) ('the Old ULD Maintenance Services Agreement'), DAS Nordisk agreed to carry out maintenance and repair services on CX's ULD equipment. CX is the holding company of Hong Kong Dragon Airlines Limited ('KA'), which is a substantial shareholder of certain subsidiaries of DCH Holdings, and therefore a connected person of the Company. DAS Nordisk is engaged in the provision of maintenance services for air cargo containers, sale of related spare parts and letting of air cargo equipment. CX is engaged in the operation of scheduled airline services, airline catering, aircraft handling and engineering.

The arrangements under the Old ULD Maintenance Services Agreement were renewed under a contract entered into between DAS Nordisk and CX dated 17 September 2008, pursuant to which CX agreed to appoint DAS Nordisk to provide ULD maintenance and repair services for a term of three years from 1 July 2008 to 30 June 2011 ('the New ULD Maintenance Services Agreement').

The pricing for such maintenance services was determined with reference to the relevant costs associated with the estimated maintenance hours and the frequency of visit of the relevant type of ULD. The amount of maintenance fees payable by CX to DAS Nordisk was expected to be subject to an annual cap of HK\$60 million for the financial year ended 31 December 2008 and for each of the financial years ending 31 December 2009, 2010 and 2011.

An aggregate amount of approximately HK\$34 million was payable by CX to DAS Nordisk during the year.

4. Pursuant to an outsourcing master agreement entered into between DAS Nordisk and Dah Chong Hong – Dragonair Airport GSE Service Limited ('DAS') dated 28 September 2007 (with a term expiring on 31 December 2009) ('the Original Outsourcing Master Agreement'), DAS Nordisk agreed to outsource part of its maintenance services on ULD to DAS. DAS is an associate of KA and therefore a connected person of the Company. DAS is engaged in the provision of airport ground support equipment maintenance services.

On 17 September 2008, DAS Nordisk entered into a supplemental agreement with DAS to supplement and amend certain provisions of the Original Outsourcing Master Agreement for the purpose of revising the annual caps for the financial year ended 31 December 2008 and for the financial year ending 31 December 2009 to HK\$41 million and HK\$58 million respectively. The above annual caps were determined with reference to historical transaction values with DAS at market price, the estimated potential cargo growth, the expected increase in business volume, particularly in view of the renewal of the transactions pursuant to the New ULD Maintenance Services Agreement, and the expected increase in labour cost.

An aggregate amount of approximately HK\$26 million was payable by DAS Nordisk to DAS during the year.

The independent non-executive directors of the Company have reviewed the above continuing connected transactions (the 'Transactions') and confirm that the Transactions have been entered into:

- a) in the ordinary and usual course of business of the Company;
- b) on normal commercial terms or on terms no less favourable to the Company 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.

The auditors of the Company have confirmed that:

- a) the Transactions have been approved by the board of directors of the Company;
- b) the Transactions have been entered into in accordance with the relevant terms of the relevant agreement governing the Transactions; and
- c) the total amounts of the Transactions have not exceeded the relevant caps as disclosed in the relevant announcements.

Transactions numbered 2 to 4 were entered into by subsidiaries of DCH Holdings. The auditors of the Company further found that the Transactions numbered 2 to 4 have been entered into in accordance with the pricing policy of DCH Holdings for these Transactions.

5. On 20 August 2007, Catak Enterprises Corp. (a wholly owned subsidiary of the Company) entered into a sale and purchase agreement with China Metallurgical Group Corp. ('MCC') for the disposal of a 20% interest in Sino Iron Pty Ltd ('Sino Iron', a wholly owned subsidiary of the Company) ('Disposal') at cost, i.e. for a consideration equivalent to 20% of all the funds provided to Sino Iron Holdings Pty Ltd ('Sino Iron Holdings') by the Group up to the date of completion of the Disposal together with interest. The Group's shareholding in Sino Iron would be reduced to 80% as a result of the Disposal.

Upon completion of the Disposal, MCC will be a substantial shareholder of Sino Iron Holdings and will become a connected person of the Company. The construction contract and the supplemental agreement thereto previously entered into between Sino Iron and MCC and the transactions contemplated thereunder will constitute a continuing connected transaction for the Company.

As at 31 December 2008, the Disposal had not yet been completed. Accordingly the construction contract as supplemented and the transactions contemplated thereunder did not constitute a continuing connected transaction for the Company during the year.

The continuing connected transaction in items 2 and 3 are also disclosed as material related party transactions under note 39 to the financial statements. Apart from this and the transactions with CITIC Group described in item 5 under the section 'Connected Transactions', the material related party transactions for 2008 did not constitute connected transactions subject to disclosure for the Company.

Share Option Plan Adopted by the Company

The Company adopted the CITIC Pacific Share Incentive Plan 2000 ('the Plan') on 31 May 2000. The major terms of the Plan are as follows:

1. The purpose of the Plan is to promote the interests of the Company and its shareholders by (i) providing the participants with additional incentives to continue and increase their efforts in achieving success in the business of the Company, and (ii) attracting and retaining the best available personnel to participate in the on-going business operation of the Company.
2. The participants of the Plan are any director, executive or employee of the Company or its subsidiaries as invited by the Board.
3. The maximum number of shares over which options may be granted under the Plan shall not exceed 10% of (i) the issued share capital of the Company from time to time or (ii) the issued share capital of the Company as at the date of adopting the Plan, whichever is the lower. As at 25 March 2009, the maximum number of shares available for issue under the Plan is 163,757,616, representing approximately 4.49% of the issued share capital.
4. 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 must not exceed 1% of the shares of the Company in issue.
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 exercise price determined by the Board will be at least 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 30 May 2010.

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

| Date of grant | Number of Share Options | Exercise price HK\$ |
|-----------------|-------------------------|------------------------|
| 28 May 2002 | 11,550,000 | 18.20 |
| 1 November 2004 | 12,780,000 | 19.90 |
| 20 June 2006 | 15,930,000 | 22.10 |
| 16 October 2007 | 18,500,000 | 47.32 |

All options granted and accepted under the Plan can be exercised in whole or in part within 5 years from the date of grant. None of such options were cancelled, but options for 50,000 shares have lapsed during the year ended 31 December 2008. A summary of the movements of the share options during the year ended 31 December 2008 is as follows:

A. Directors of the Company

| Name of Director | Date of grant | Exercise price HK\$ | Number of Share Options | | | Percentage to issued share capital |
|-----------------------|---------------|------------------------|---------------------------|------------------------------------------------|------------------------------------|------------------------------------------|
| | | | Balance as at 01.01.08 | Exercised during the year ended 31.12.08 | Balance as at 31.12.08 | |
| Larry Yung Chi Kin | 05.12.05 | 20.50 | 100,000,000 | – | – | 0.055 |
| | 16.10.07 | 47.32 | 2,000,000 | – | 2,000,000 (Note 1) 2,000,000 | |
| Peter Lee Chung Hing | 01.11.04 | 19.90 | 1,000,000 | – | 1,000,000 | 0.093 |
| | 20.06.06 | 22.10 | 1,200,000 | – | 1,200,000 | |
| | 16.10.07 | 47.32 | 1,200,000 | – | 1,200,000 3,400,000 | |
| Carl Yung Ming Jie | 01.11.04 | 19.90 | 500,000 | – | 500,000 | 0.052 |
| | 20.06.06 | 22.10 | 600,000 | – | 600,000 | |
| | 16.10.07 | 47.32 | 800,000 | – | 800,000 1,900,000 | |
| Vernon Francis Moore | 01.11.04 | 19.90 | 1,000,000 | – | 1,000,000 | 0.063 |
| | 20.06.06 | 22.10 | 700,000 | – | 700,000 | |
| | 16.10.07 | 47.32 | 600,000 | – | 600,000 2,300,000 | |
| Li Shilin | 16.10.07 | 47.32 | 500,000 | – | 500,000 | 0.014 |
| Liu Jifu | 20.06.06 | 22.10 | 700,000 | – | 700,000 | 0.038 |
| | 16.10.07 | 47.32 | 700,000 | – | 700,000 1,400,000 | |
| Milton Law Ming To | 01.11.04 | 19.90 | 334,000 | – | 334,000 | 0.053 |
| | 20.06.06 | 22.10 | 800,000 | – | 800,000 | |
| | 16.10.07 | 47.32 | 800,000 | – | 800,000 1,934,000 | |
| Wang Ande | 20.06.06 | 22.10 | 500,000 | 150,000 (Note 2) | 350,000 | 0.032 |
| | 16.10.07 | 47.32 | 800,000 | – | 800,000 1,150,000 | |
| Kwok Man Leung | 16.10.07 | 47.32 | 600,000 (Note 3) | – | 600,000 | 0.016 |
| Chang Zhenming | 16.10.07 | 47.32 | 500,000 | – | 500,000 | 0.014 |
| Leslie Chang Li Hsien | 01.11.04 | 19.90 | 350,000 | – | N/A | N/A |
| | 20.06.06 | 22.10 | 800,000 | – | (Note 4) | (Note 4) |
| | 16.10.07 | 47.32 | 800,000 | – | – | – |
| Chau Chi Yin | 01.11.04 | 19.90 | 500,000 | – | N/A | N/A |
| | 20.06.06 | 22.10 | 800,000 | – | (Note 4) | (Note 4) |
| | 16.10.07 | 47.32 | 800,000 | – | – | – |

Note:

1. These share options were granted by CITIC HK, a substantial shareholder of the Company, and were waived.
2. The weighted average closing price of the shares of the Company immediately before the date on which the options were exercised was HK\$35.4.
3. Mr Kwok Man Leung was appointed as director of the Company on 1 April 2008. Thus, this is in respect of the balance as of 1 April 2008.
4. The directors have resigned with effect from 20 October 2008.

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 01.01.08 | Exercised during the year ended 31.12.08 | Balance as at 31.12.08 |
| 1 November 2004 | 19.90 | 1,030,000 | – | 1,030,000 |
| 20 June 2006 | 22.10 | 2,239,000 | 193,000 (Note 5) | 2,046,000 |
| 16 October 2007 | 47.32 | 6,750,000 | – | 6,750,000 |

Note:

5. The weighted average closing price of the shares of the Company immediately before the dates on which the options were exercised was HK\$36.62.

C. Others

| Date of grant | Exercise price HK\$ | Number of Share Options | | |
|-----------------|------------------------|------------------------------|------------------------------------------------|---------------------------|
| | | Balance as at 01.01.08 | Exercised during the year ended 31.12.08 | Balance as at 31.12.08 |
| 1 November 2004 | 19.90 | 1,050,000 (Note 6) | – | 1,050,000 |
| 20 June 2006 | 22.10 | 1,600,000 (Note 6) | – | 1,600,000 |
| 16 October 2007 | 47.32 | 1,650,000 (Notes 6 and 7) | – | 1,600,000 |

Note:

6. These are in respect of options granted to former directors or employee under continuous contract, who have subsequently resigned or retired.

7. Out of 1,650,000 options, 50,000 options have lapsed during the year.

Share Option Plans Adopted by the Subsidiaries of the Company

CITIC 1616 Holdings Limited

CITIC 1616 Holdings Limited ('CITIC 1616') adopted a share option plan ('CITIC 1616 Share Option Plan') on 17 May 2007. The major terms of the CITIC 1616 Share Option Plan are as follows:

1. The purpose of the CITIC 1616 Share Option Plan is to attract and retain the best quality personnel for the development of CITIC 1616's businesses; to provide additional incentives to Employees (as defined herebelow); and to promote the long term financial success of CITIC 1616 by aligning the interests of grantees to shareholders of CITIC 1616.
2. The grantees of the CITIC 1616 Share Option Plan are any person employed by CITIC 1616 or any subsidiary and any person who is an officer or director (whether executive or non-executive) of CITIC 1616 or any subsidiary ('Employee') as the board of CITIC 1616 may in its absolute discretion select.
3. The maximum number of shares of CITIC 1616 ('CITIC 1616 Shares') over which options may be granted under the CITIC 1616 Share Option Plan must not exceed 10% of (i) the CITIC 1616 Shares in issue from time to time; or (ii) the CITIC 1616 Shares in issue as at the date of adopting the CITIC 1616 Share Option Plan, whichever is the lower. As at 25 March 2009, the maximum number of CITIC 1616 Shares available for issue under the CITIC 1616 Share Option Plan is 169,280,000, representing approximately 8.56% of the issued share capital of CITIC 1616.

4. The total number of CITIC 1616 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 CITIC 1616 Shares in issue. Where any further grant of options to a grantee would result in the CITIC 1616 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 CITIC 1616 Shares in issue, such further grant shall be subject to separate approval by the shareholders of CITIC 1616 in its general meeting.
5. The exercise period of any option granted under the CITIC 1616 Share Option 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 of CITIC 1616 will not be less than the higher of (i) the closing price of CITIC 1616 Shares as stated in the daily quotations sheet of the Stock Exchange on the date of grant; (ii) the average closing price of CITIC 1616 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 CITIC 1616 Shares.
8. The CITIC 1616 Share Option Plan shall be valid and effective till 16 May 2017.

On 23 May 2007, options to subscribe for a total of 18,720,000 shares in CITIC 1616, representing approximately 1% of the issued share capital, at the exercise price of HK\$3.26 per share, were granted under the CITIC 1616 Share Option Plan. All options granted and accepted can be exercised in whole or in part within 5 years from the date of grant. All were accepted, and none were exercised or cancelled but options for 3,555,000 shares have lapsed during the year ended 31 December 2008. No further options were granted during the year ended 31 December 2008. The grantees were certain directors or employees of CITIC 1616 working under continuous contracts (as defined in the Employment Ordinance). None were granted to the directors, chief executives or substantial shareholders of the Company.

Dah Chong Hong Holdings Limited

Pre-IPO Share Option Scheme

DCH Holdings adopted the Pre-IPO Share Option Scheme ('Pre-IPO Scheme') on 28 September 2007. The major terms of the Pre-IPO Scheme are as follows:

1. The purpose of the Pre-IPO Scheme is to attract and retain the best quality personnel for the development of DCH Holdings' businesses; to provide additional incentives to the employees of the DCH Holdings group and to promote the long term success of DCH Holdings.
2. The participants of the Pre-IPO Scheme are any employee of DCH Holdings group as the board of DCH Holdings may in its absolute discretion select.
3. The maximum number of shares over which options may be granted under the Pre-IPO Scheme shall not exceed 18,000,000 shares, being 1% of the total number of issued shares immediately following the commencement of dealings of DCH Holdings' shares on the Stock Exchange.
4. The grantee shall not, within 6 months from the listing of DCH Holdings, exercise any of the options granted under the Pre-IPO Scheme.
5. The exercise period of any option granted under the Pre-IPO Scheme must not be more than five 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 from the grantee.
7. The subscription price shall be HK\$5.88 per share which is equal to the initial public offer price of DCH Holdings' shares upon listing.
8. No options will be offered or granted under the Pre-IPO Scheme upon the commencement of dealings in DCH Holdings' shares on the Stock Exchange.

On 3 October 2007, options to subscribe for a total of 18,000,000 shares in DCH Holdings at the exercise price of HK\$5.88 per share were granted under the Pre-IPO Scheme.

All options granted and accepted fully vested on the date of grant but have a lock-up period of 6 months from the listing of DCH Holdings and are then exercisable in whole or in part within 5 years from the date of grant.

None of the options granted under the Pre-IPO Scheme were exercised or cancelled but options for 600,000 shares have lapsed during the year.

Post-IPO Share Option Scheme

DCH Holdings adopted the Post-IPO Share Option Scheme ('Post-IPO Scheme') on 28 September 2007. The major terms of the Post-IPO Scheme are as follows:

1. The purpose of the Post-IPO Scheme is to attract and retain the best quality personnel for the development of DCH Holdings' businesses; to provide additional incentives to the employees and to promote the long term success of DCH Holdings.
2. The participants of the Post-IPO Scheme are any employee of DCH Holdings group as the board of DCH Holdings may in its absolute discretion select.
3. The maximum number of shares over which options may be granted under the Post-IPO Scheme and any other schemes of DCH Holdings shall not in aggregate exceed 10% of (i) the shares of DCH Holdings in issue immediately following the commencement of dealings in DCH Holdings' shares on the Stock Exchange or (ii) the shares of DCH Holdings in issue from time to time, whichever is the lower. As at 25 March 2009, the maximum number of shares available for issue under the Post-IPO Scheme is 161,783,300, representing approximately 9% of the issued share capital of DCH Holdings. Options lapsed in accordance with the terms of the Post-IPO Scheme or any other schemes of DCH Holdings will not be counted for the purpose of calculating the 10% limit.
4. The total number of 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 of DCH Holdings in issue.
5. The exercise period of any option granted under the Post-IPO Scheme 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 from the grantee.
7. The subscription price determined by the board of DCH Holdings will not be less than whichever is the higher of (i) the closing price of DCH Holdings' shares as stated in the Stock Exchange's daily quotations sheet on the date of grant; (ii) the average closing price of DCH Holdings' 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 a share of DCH Holdings.
8. The Post-IPO Scheme shall be valid and effective till 27 September 2017, after which no further options will be granted.

DCH Holdings has not granted any options under the Post-IPO Scheme.

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 2008 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 Corporations

| | Number of shares Personal interests unless otherwise stated | Percentage to issued share capital |
|-----------------------------------------------------------|-------------------------------------------------------------------|---------------------------------------|
| CITIC Pacific Limited | | |
| Larry Yung Chi Kin | 418,418,000 <i>(Note 1)</i> | 11.475 |
| Henry Fan Hung Ling | 50,640,000 <i>(Note 2)</i> | 1.389 |
| Peter Lee Chung Hing | 1,000,000 | 0.027 |
| Carl Yung Ming Jie | 300,000 | 0.008 |
| Vernon Francis Moore | 4,200,000 <i>(Note 3)</i> | 0.115 |
| Li Shilin | 300,000 | 0.008 |
| Liu Jifu | 840,000 | 0.023 |
| Wang Ande | 400,000 | 0.011 |
| Hansen Loh Chung Hon | 1,550,000 <i>(Note 4)</i> | 0.043 |
| André Desmarais | 10,145,000 <i>(Note 5)</i> | 0.278 |
| Peter Kruyt (alternate director to Mr André Desmarais) | 34,100 | 0.001 |
| CITIC 1616 Holdings Limited | | |
| Vernon Francis Moore | 200,000 <i>(Note 3)</i> | 0.010 |
| Dah Chong Hong Holdings Limited | | |
| Li Shilin | 12,000 | 0.001 |
| Liu Jifu | 33,600 <i>(Note 6)</i> | 0.002 |
| Hansen Loh Chung Hon | 62,000 <i>(Note 7)</i> | 0.003 |
| CITIC Guoan Information Industry Co., Ltd. | | |
| Li Shilin | 92,466 | 0.006 |

Note:

1. Corporate interest
2. Corporate interest in respect of 5,640,000 shares and trust interest in respect of 45,000,000 shares
3. Trust interest
4. Personal interest in respect of 1,050,000 shares; corporate interest in respect of 500,000 shares and family interest in respect of 500,000 shares which duplicate each other
5. Corporate interest in respect of 10,000,000 shares and family interest in respect of 145,000 shares
6. Family interest
7. Corporate interest in respect of 20,000 shares and joint interest in respect of 42,000 shares

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 Capital Holdings Limited

| Name of Director | Date of grant | Number of share options | | | Balance as at 31.12.08 | Percentage to issued share capital |
|----------------------|---------------|-------------------------|----------------------------------------|---------------------------------------------------------------|------------------------|------------------------------------|
| | | Balance as at 01.01.08 | Granted during the year ended 31.12.08 | Lapsed / cancelled / exercised during the year ended 31.12.08 | | |
| Peter Lee Chung Hing | 02.03.05 | 15,000 | – | – | 15,000 | 0.125 |
| | 04.04.06 | 10,000 | – | – | 10,000 | |
| | 11.12.07 | 10,000 | – | – | 10,000 | |
| | | | | | 35,000 | |
| Vernon Francis Moore | 02.03.05 | 15,000 | – | – | 15,000 | 0.125 |
| | 04.04.06 | 10,000 | – | – | 10,000 | |
| | 11.12.07 | 10,000 | – | – | 10,000 | |
| | | | | | 35,000 | |
| Chang Zhenming | 11.12.07 | 125,000 | – | – | 125,000 | 0.446 |

Save as disclosed above, as at 31 December 2008, 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 Companies in the Listing Rules.

Save as disclosed above, at no time during the year were there any subsisting agreements enabling the directors of the Company to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other corporate, which at the relevant time, the Company, any of its subsidiary companies, its holding company or any of its fellow subsidiary companies was a party.

Substantial Shareholders

As at 31 December 2008, the interests of the substantial shareholders, other than the directors of the Company or their respective associate(s), 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:

1. Interest in the Shares

| Name | Number of Shares of the Company | Percentage to issued share capital |
|---------------------------------|---------------------------------|------------------------------------|
| CITIC Group | 2,098,736,285 | 57.558 |
| CITIC HK | 747,486,203 | 20.500 |
| Heedon Corporation | 598,261,203 | 16.407 |
| Full Chance Investments Limited | 450,416,694 | 12.353 |
| Newease Investments Limited | 450,416,694 | 12.353 |
| Skyprofit Holdings Limited | 450,416,694 | 12.353 |
| Honpville Corporation | 310,988,221 | 8.529 |

CITIC Group is a substantial shareholder of the Company holding indirect interest in the Company through the following wholly owned subsidiary companies:

| Name of subsidiary companies of CITIC Group | Number of Shares of the Company | Percentage to issued share capital |
|---------------------------------------------|---------------------------------|------------------------------------|
| CITIC HK | 747,486,203 | 20.500 |
| Full Chance Investments Limited | 450,416,694 | 12.353 |
| Newease Investments Limited | 450,416,694 | 12.353 |
| Skyprofit Holdings Limited | 450,416,694 | 12.353 |

CITIC HK is a substantial shareholder of the Company holding indirect interest in the Company through the following wholly owned subsidiary companies:

| Name of subsidiary companies of CITIC HK | Number of Shares of the Company | Percentage to issued share capital |
|------------------------------------------|---------------------------------|------------------------------------|
| Affluence Limited | 46,089,000 | 1.264 |
| Winton Corp. | 30,718,000 | 0.842 |
| Westminster Investment Inc. | 101,960,000 | 2.796 |
| Jetway Corp. | 122,336,918 | 3.355 |
| Cordia Corporation | 32,258,064 | 0.885 |
| Honpville Corporation | 310,988,221 | 8.529 |
| Hainsworth Limited | 93,136,000 | 2.554 |
| Southpoint Enterprises Inc. | 10,000,000 | 0.274 |
| Raymondford Company Limited | 2,823,000 | 0.077 |

CITIC Group is the holding company of CITIC HK, Full Chance Investments Limited, Neweas Investments Limited and Skyprofit Holdings Limited. CITIC HK is the direct holding company of Heedon Corporation, Hainsworth Limited, Affluence Limited and Barnsley Investments Limited. Heedon Corporation is the direct holding company of Winton Corp., Westminster Investment Inc., Jetway Corp., Kotron Company Ltd. and Honpville Corporation. Kotron Company Ltd. is the direct holding company of Cordia Corporation. Affluence Limited is the direct holding company of Man Yick Corporation which is the direct holding company of Raymondford Company Limited. Barnsley Investments Limited is the direct holding company of Southpoint Enterprises Inc.

Accordingly,

- i) the interests of CITIC Group in the Company duplicate the interests of CITIC HK, Full Chance Investments Limited, Neweas Investments Limited and Skyprofit Holdings Limited in the Company;
- ii) the interests of CITIC HK in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above;
- iii) the interests of Heedon Corporation in the Company duplicate the interests in the Company of all its direct and indirect subsidiary companies as described above;
- iv) the interests of Kotron Company Ltd. in the Company duplicate the interests of Cordia Corporation in the Company;
- v) the interests of Affluence Limited in the Company duplicate the interests in the Company of its direct and indirect subsidiary companies as described above;
- vi) the interests of Man Yick Corporation in the Company duplicate the interests of Raymondford Company Limited in the Company; and
- vii) the interests of Barnsley Investments Limited in the Company duplicate the interests of Southpoint Enterprises Inc. in the Company.

Share Capital

During the year ended 31 December 2008, the Company made the following repurchases of its own shares on the Stock Exchange for purpose of enhancing its earnings per share:

| Month / Year | Number of Shares repurchased | Price Per Share | | Aggregate price paid (HK\$) |
|----------------|------------------------------|-----------------|---------------|-----------------------------|
| | | Highest (HK\$) | Lowest (HK\$) | |
| January 2008 | 15,484,000 | 37.90 | 32.25 | 545,205,150 |
| June 2008 | 2,837,000 | 30.40 | 28.50 | 83,689,450 |
| September 2008 | 1,000,000 | 25.55 | 24.90 | 25,236,050 |

These repurchased shares were cancelled upon repurchase and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. The premium payable on repurchase was charged against retained profit. An amount equivalent to the nominal value of the shares cancelled of approximately HK\$7.7 million was transferred from retained profit to capital redemption reserve.

Save as disclosed above, neither the Company nor any of its subsidiary companies has purchased or sold any of the Company's shares during the year ended 31 December 2008 and the Company has not redeemed any of its shares during the year ended 31 December 2008.

During the year ended 31 December 2008, 1,453,125,000 shares were issued upon conversion of the Convertible Bond and 343,000 shares were issued under the Share Option Plan, both of which have been described in the sections above.

Service Contracts

As at 31 December 2008, 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.

Continuing Disclosure Requirements under Rule 13.22 of the Listing Rules

The Company has included a proforma combined balance sheet of the relevant affiliated companies as required therein under Rule 13.22 of the Listing Rules. Affiliated companies include associated companies and jointly controlled entities.

Proforma combined balance sheet of affiliated companies

| <i>in HK\$ million</i> | Group's attributable interest as at 31 Dec 2008 |
|---------------------------------------|----------------------------------------------------|
| Fixed Assets | 5,334 |
| Jointly Controlled Entities | 306 |
| Deferred Tax Assets | 57 |
| Intangible Assets | 8 |
| Other Non Current Assets | 4,337 |
| Net Current Assets | 4,582 |
| Total Assets Less Current Liabilities | 14,624 |
| Long Term Borrowings | (3,597) |
| Deferred Tax Liabilities | (325) |
| Loan from Shareholders | (5,733) |
| | 4,969 |

Auditors

The accounts for the year have been audited by PricewaterhouseCoopers who shall retire and, being eligible, shall offer themselves for re-appointment.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, the directors confirm that the Company has maintained the amount of public float as required under the Listing Rules during the year ended 31 December 2008.

By Order of the Board,
Larry Yung Chi Kin *Chairman*
 Hong Kong, 25 March 2009