

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended December 31, 2005.

PRINCIPAL ACTIVITIES

The Company is an investment company which principal business is to make direct investments in operating companies and other entities established or having significant operations in or business with the People's Republic of China ("PRC") by non-PRC persons. The investment philosophy of the Company has been placed on identifying, screening, analyzing, and conducting due diligence on investment potentials in the Greater Shanghai Region, principally in wholly foreign-owned enterprises, existing or newly established sino-foreign equity joint ventures or co-operative joint venture enterprises, joint stock companies, or other vehicles authorized for foreign investments under applicable laws of the PRC with the objective of obtaining long term capital appreciation. The Company also invests in projects within the Greater China confine.

RESULTS AND APPROPRIATIONS

The results of the Company for the year ended December 31, 2005 are set out in the income statement on page 39.

The Board proposes the payment of a special final dividend of US\$1.20 per share from the Company's share premium account in cash for 2005 for shareholders on the register of members on April 18, 2006, amounting to US\$10,686,000, and the retention of the remaining profit for the year of US\$193,778.

SHARE CAPITAL

Details of the share capital of the Company are set out in note 18 to the financial statements.

DISTRIBUTABLE RESERVES

The Company's reserves available for distribution to shareholders as at December 31, 2005 were as follows:

| | 2005 US\$ | 2004 US\$ |
|-------------------|-------------------|-------------------|
| Share premium | 41,453,435 | 52,139,435 |
| Retained earnings | 193,778 | 3,879,943 |
| Capital reserve | (6,615,056) | — |
| | <u>35,032,157</u> | <u>56,019,378</u> |

Under the Company Law (Revised) Chapter 22 of Cayman Islands, the share premium of the Company is available for distribution.

However, as required by the Company's Articles of Association, gains and losses on realization and revaluation of investment in securities and assets shall not be available for distribution as dividend. Therefore, those gains and losses on investments in securities and assets recognized in the income statement are transferred to the capital reserve in the period in which they arise.

INVESTMENTS

Details of the top ten holdings of listed investments and the unlisted investments as at December 31, 2005 are set out on pages 9 and 14 respectively.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Wu, Choi Sun William
Dr. Xue, Wanxiang

Independent Non-Executive Directors ("INED"):

Dr. Hua, Min
Mr. Ong, Ka Thai
Mr. Yick, Wing Fat Simon

Other Non-Executive Directors:

Mr. Cai, Nongrui
Mr. Chen, Chi-chuan
Mr. Chiang, Ching-yee
Mr. Chiu, Tak-chiang (also known as Yau, Tak Chiang)
Mr. Hu, Jinggang
Dr. Wang, Changhong
Mr. Zhou, Youdao
Mr. Tseng, Ta-mon (appointed on March 23, 2005)
Mr. Lee, Tien-chieh (appointed on March 24, 2005)
Mme. Yin, Wong Yee-fan (resigned on March 24, 2005)
Mr. Chao, Hsi-hsiang (retired on May 18, 2005)

All Directors are subject to retirement by rotation in accordance with the Company's Articles of Association ("Articles"). The Independent Non-Executive Directors were each appointed for a term of two years.

At the forthcoming annual general meeting of the Company, Mr. Yick, Wing Fat Simon, Mr. Cai, Nongrui, Mr. Chen, Chi-chuan and Mr. Chiang, Ching-yee will retire as directors in accordance with Article 98(b) and 98(c) of the Company's Articles. Except for Mr. Chiang, Ching-yee, all of them, being eligible, offer themselves for re-election. All other remaining directors continue in office. The Board would like to express its gratitude to Mr. Chiang for his past contribution to the Company.

DIRECTORS' SERVICE CONTRACTS

Except for all the INEDs who entered into service contracts with the Company for a term of two years, each with an annual remuneration of HK\$100,000, none of the other Directors has a service contract with the Company or is being remunerated by the Company.

BIOGRAPHICAL DETAILS OF DIRECTORS

AC - Audit Committee

RC - Remuneration Committee

Mr. Wu, Choi Sun William (RC)

Aged 57, has been an Executive Director of the Company and the Managing Director of Shanghai International Asset Management (Hong Kong) Company Limited (the "Investment Manager") since February and June 2001 respectively. Prior to joining the Company, Mr. Wu was Executive Director of two listed companies under the Tomson Group, during which tenure Mr. Wu was involved in a number significant direct investments in China, and instrumental to re-organize the asset portfolios of the listed companies.

Before returning to Hong Kong, Mr. Wu was Senior Vice President and a member of the board of Webster Johnson & Stowell, a U.S. consulting company specializing in difficult markets. Mr. Wu had profit and loss responsibilities for all seven offices in the Pacific Rim.

Mr. Wu holds a Bachelor of Science degree and a Master's degree in Business Administration from the University of San Francisco. Apart from a full spectrum of corporate management responsibilities in listed companies, Mr. Wu has over 25 years' experience in business development, advisory, corporate finance and equity investment. He is a responsible officer of the Investment Manager, registered with the Hong Kong Securities and Futures Commission.

Dr. Xue, Wanxiang (RC)

Aged 40, joined the Company in June 2003 and is an Executive Director and Vice President of the Investment Manager. Dr. Xue holds a doctorate degree in International Finance from Shanghai Fudan University, PRC. He obtained his Master's degree in Economics and Bachelor of Science degree from East China Normal University. Before joining the Company, Dr. Xue was the Deputy General Manager of Shanghai Securities Co., Ltd. since 2001. He was head of two departments while at Fujian Industrial Bank Co., Ltd., Shanghai Branch from 1998 to 2001. Before that, he was with the Peoples Bank of China, Shanghai Branch from 1995 to 1998. Dr. Xue has over 10 years' senior management experience in the banking and securities sector in the PRC.

DIRECTORS' REPORT *(Cont'd)*

BIOGRAPHICAL DETAILS OF DIRECTORS *(Cont'd)*

Dr. Hua, Min *(AC and RC)*

Aged 55, has been an INED since September 2004. Dr. Hua graduated from Fudan University with a Bachelor's degree in Economics and holds a Doctorate in World Economics from the Fudan University. He is currently the Chairman of Institute of World Economy, Fudan University, Chief of World Economy Department and vice-chief of Academic Committee of Fudan University. Dr. Hua is a professor and doctoral candidates advisor and teaches and conducts research in world economics, China economics and finance at Fudan University since 1990. He is one of the advisors of Policy-Making Committee of Shanghai Municipal government.

Mr. Ong, Ka Thai *(AC and RC)*

Aged 51, has been an INED since June 1997 and Chairman of RC. Mr. Ong is the Chairman of a number of companies including Ong First Tradition Pte. Ltd., Ong Commodities Pte. Ltd. and Ong Pacific Capital Ltd. Mr. Ong holds a Bachelor of Arts degree in Economics from the University of California at Los Angeles.

He had served as CEO for a number of multinational joint ventures, and is an INED of Singamas Container Holdings Ltd., a company listed on the Stock Exchange.

Mr. Ong has over 25 years of experience in manufacturing, corporate and trade finance, regional equity, futures and commodities trading, investment banking and corporate advisory services, as well as direct and private equity investments.

Mr. Yick, Wing Fat Simon *(AC and RC)*

Aged 47, has been an INED since July 1999 and Chairman of AC. Mr. Yick holds a Bachelor's degree in Business Administration, majoring in Accounting from the Chinese University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and the Chartered Association of Certified Accountants in England. Mr. Yick has over 23 years of experience in audit, direct investment, investment banking and corporate advisory services.

Mr. Yick also serves as an INED for another two companies whose shares are listed on Stock Exchange, namely Shenzhen Neptunus Interlong Bio-technique Co Ltd. and Travelsky Technology Limited.

Mr. Cai, Nongrui

Aged 58, has been a Non-Executive Director of the Company and a director of the Investment Manager since December 1997. Mr. Cai joined Shanghai International Trust & Investment Corporation ("SITICO") and has held various senior capacities including Deputy General Manager of General Office; Deputy General Manager of Accounting and Planning Division; General Manager of Accounting Division; General Manager of Finance Division I; Senior Vice President cum Vice Chief Economist; Chief Economist. Mr. Cai is the chief financial officer of the Yangshan Deepwater Port project to transform Shanghai's waterfront and container handling facilities.

BIOGRAPHICAL DETAILS OF DIRECTORS *(Cont'd)*

Mr. Chen, Chi-chuan *(AC)*

Aged 48, has been a Non-Executive Director since March 2003 and a director of the Investment Manager. Mr. Chen joined the Ruentex Group in Taiwan since 1987 and is currently the Vice President of Hei Hong Investment Co., Ltd., with responsibilities for all equity investment activities in Asia. Mr. Chen holds a Master's degree in Business Administration from the National Taiwan University.

Mr. Chiang, Ching-yee

Aged 73, has been a Non-Executive Director since January 1994. Mr. Chiang graduated with a degree in Scientific Technology and has been in the can manufacturing and metal forming business for over 40 years. He is President of China Can Printing & Metal MFG., Co., Ltd. and Chairman of Great China Metal Ind., Co., Ltd. since 1973. Mr. Chiang will retire as director at the forthcoming annual general meeting of the Company and does not offer himself for re-election.

Mr. Chiu, Tak-chiang (also known as Yau, Tak Chiang)

Aged 52, has been a Non-Executive Director of the Company and a director of the Investment Manager, since January 2002. Mr. Chiu is Managing Director of SinoPac Capital Limited, a wholly-owned subsidiary of SinoPac Financial Holdings Limited, a listed banking group in Taiwan. Prior to joining this banking group, Mr. Chiu worked at Citibank, Masterlink Securities Co., Ltd. and Investlink Co. Ltd. of Taiwan and has over 25 years of experience in investment banking, corporate finance, advisory and operation of market instruments. Mr. Chiu holds a Master's degree in International Management from the American Graduate School of International Management.

Mr. Hu, Jinggang

Aged 54, has been a Non-Executive Director of the Company and a director of the Investment Manager since March 1999. Mr. Hu is a graduate of the Faculty of International Finance of the Shanghai East China Normal University. Mr. Hu had held various positions in the Shanghai Municipality since 1977. From 1987, he served as assistant director, deputy director, and director of the International Relations Department of China Council for the Promotion of International Trade, Shanghai Sub-council. He was senior vice president of SITICO since December 1998 and was the director and general manager of Shaivest Corporation Limited. Mr. Hu is appointed Steward of SITICO's Labour Union since October 2005.

Dr. Wang, Changhong

Aged 47, has been a Non-Executive Director since March 1999. He joined Nomura International (Hong Kong) Limited in 1994 and is the director of corporate finance. Dr. Wang graduated with a Bachelor of Arts degree from Nanjing University in the PRC and holds a Ph.D and a Juris Doctor from the University of Pennsylvania, U.S.A.

DIRECTORS' REPORT *(Cont'd)*

BIOGRAPHICAL DETAILS OF DIRECTORS *(Cont'd)*

Mr. Zhou, Youdao

Aged 68, has been appointed as Non-Executive Director of the Company since December 1998. Mr. Zhou was the Chairman of the Investment Manager. Since May 1969, Mr. Zhou was deputy bureau chief of Shanghai Finance Bureau's First Division. In August 1984 he was deputy head of the Financial and Monetary Department of The Finance and Trade Office of Shanghai Municipal Government and became the deputy chairman of Shanghai Finance Bureau. In December 1985, he was Deputy Bureau Director of Shanghai Finance Bureau which he later became chairman. Since April 1998, he was transferred to SITICO and was later appointed as Chairman and President. He was also appointed as Chairman of Shanghai International Group Corporation Limited. Mr. Zhou is currently the Chairman of China International Fund Management Co., Ltd.

Mr. Tseng, Ta-mon

Aged 47, was appointed as a Non-Executive Director in March 2005. Mr. Tseng is a Barrister-at-Law. He is a laws graduate from the National Chengchi University, Taiwan, and holds a Master's degree in Law from the University College London, a Bachelor's degree in Arts from Cambridge University and was called to the English Bar in 1985. Since 1993, Mr. Tseng has been the corporate counsel of the Ruentex Group of Companies in Taiwan and is currently an alternate director of APT Satellite Holdings Limited, a company listed on the Stock Exchange.

Mr. Lee, Tien-chieh

Aged 46, was appointed as a Non-Executive Director in March 2005. Mr. Lee graduated with a Bachelor's degree in Business Management from the Tatung Institute of Technology of Taiwan, and has over 18 years of experience in financial management. Mr. Lee is currently the Vice President of the Finance Division of Ruentex Industries Limited, which is a substantial shareholder of the Company.

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS

The Company's investment portfolio is managed by the Investment Manager, in accordance with the terms and conditions of an investment management and administration agreement (the "Investment Management Agreement") between the Company and the Investment Manager dated November 12, 1993, as supplemented by supplemental agreements dated January 22, 2001, September 12, 2001, November 3, 2003 and April 11, 2005 respectively.

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS *(Cont'd)*

In accordance with the terms of the agreements, the Investment Manager is entitled to receive management fee inclusive of administration fee and an incentive fee in relation to services provided to the Company. The investment management and administration fee is calculated in U.S. dollars and payable quarterly in advance, at the rate of 0.5% per quarter of the net asset value (calculated before deductions of the fees payable to the Investment Manager, the investment adviser and the custodian for that quarter) of the Company calculated on the last business day of the previous quarter. The Investment Manager is entitled to an incentive fee equal to 15% of the amount on top and above that portion of the net asset value of each of the assets which represent listed securities (the "Listed Investment Portfolio") or assets which represent unlisted securities or interest (the "Unlisted Investment Portfolio") as at December 31 of each year exceeding 115% of that portion of the net asset value of the respective Listed Investment Portfolio or Unlisted Investment Portfolio as at December 31 of the immediately preceding year. The incentive fee so determined and the payment thereof to the Investment Manager in respect of the Listed Investment Portfolio or the Unlisted Investment Portfolio shall be independent of each of such portfolios.

Since the Company pays annual and in particular special dividends to its shareholders, which permanently reduced the net asset value, the Company and the Investment Manager agreed that with effect from June 30, 2003, no incentive fee shall be payable to the Investment Manager if the net asset value of the Company at December 31 of the relevant year is less than US\$6.20, and thereafter such threshold shall be adjusted annually according to the actual amount of special dividends paid out during the immediately preceding year(s) and that any such adjustments shall be approved by the Board in accordance with the Articles of the Company. The threshold is now adjusted to US\$4.50.

On April 11, 2005, the Company and the Investment Manager entered into a Fourth Supplemental Agreement, which was approved by the independent shareholders of the Company at the annual general meeting held on May 18, 2005. The terms were amended as follows:

- the appointment of the Investment Manager is extended for a term of 3 years commencing from July 1, 2005 and either the Investment Manager or the Company can terminate the appointment by giving not less than two months notice in writing to either party to expire on or within one month of June 30, 2008; and
- New caps were determined on the total fees payable to the Investment Manager during each of the following periods ("New Cap"):
 - Not exceeding US\$1,400,000 from July 1, 2005 to December 31, 2005
 - Not exceeding US\$1,200,000 for each of the year 2006 and 2007
 - Not exceeding US\$600,000 from January 1, 2008 to June 30, 2008

Since February 2001, the Stock Exchange granted the Company a waiver from strict compliance with the connected transaction requirements in respect of investment management and administration services (the "Transactions") to be provided by the Investment Manager to the Company pursuant to the aforesaid Investment Management Agreement. However, the waiver, namely the higher of either HK\$10,000,000 or 3% of the audited consolidated net tangible asset of the Company as disclosed in the Company's latest published accounts (the "Waiver"), became invalid upon the execution of the Fourth Supplemental Agreement and the Company will have to fully comply with the requirements of the Listing Rules.

DIRECTORS' REPORT *(Cont'd)*

INVESTMENT MANAGEMENT AND ADMINISTRATION AGREEMENT AND CONTINUING CONNECTED TRANSACTIONS *(Cont'd)*

During the year ended December 31, 2005, investment management and administration fees of US\$566,056 and US\$1,161,644 were paid to the Investment Manager for the period from January 1, 2005 to June 30, 2005 and for the period from July 1, 2005 to December 31, 2005 respectively, inclusive of an incentive fee of US\$743,694 paid at the latter period.

Pursuant to the requirements under Rule 14A.38 of the Listing Rules, the auditors of the Company have reviewed the Transactions for the year ended December 31, 2005 and provided the Board with a report of factual findings in respect thereof.

The independent non-executive directors have reviewed the Transactions and confirmed that (i) the Transactions have been entered into by the Company in the ordinary and usual course of its business, on normal commercial terms and on terms that are fair and reasonable so far as the shareholders of the Company are concerned, and in accordance with the terms and conditions of the Investment Management Agreement and the supplemental agreements thereto, and (ii) the consideration of the Transactions for the period from January 1, 2005 to June 30, 2005 does not exceed the cap as stipulated by the Stock Exchange in the Waiver, and the consideration of the Transactions for the period from July 1, 2005 to December 31, 2005 does not exceed the New Cap.

Mr. Wu, Choi Sun William, Dr. Xue, Wanxiang, Mr. Cai, Nongrui, Mr. Chiu, Tak-chiang, Mr. Hu, Jinggang, Mr. Zhou, Youdao and Mr. Chen, Chi-chuan are also directors of the Investment Manager.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES

At December 31, 2005, the interests or short positions of the Company's directors in the shares of the Company as recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance (the "SFO") were stated as follows:

Long positions in ordinary shares of US\$0.10 each of the Company:

| Name of director | Capacity | No. of ordinary shares interested | Percentage of total issued share |
|-----------------------|-------------------------|-----------------------------------|----------------------------------|
| Mr. Chiang, Ching-yee | Beneficial owner | 51,000 | 0.57% |
| Mr. Chiang, Ching-yee | Interest of corporation | 4,435 | 0.05% |

Note: Mr. Chiang is interested in 4.48% in the shares of Great China Metal Ind. Co., Ltd., which in turn has a 1.11% interest in the Company.

Save as disclosed above, none of the directors nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at December 31, 2005.

DIRECTORS' INTEREST IN CONTRACTS OF SIGNIFICANCE

Other than the Investment Management Agreement described above, no contracts of significance 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.

ARRANGEMENT TO PURCHASE SHARES OR DEBENTURES

None of the Directors or their spouses or children under the age of 18 had any right to subscribe for securities of the Company, or had exercised any such right during the year.

At no time during the year was the Company a party to any arrangements 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

Other than disclosed under sub-section headed "Directors' Interests and Short Positions in Shares", as at December 31, 2005, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions in the ordinary shares of US\$0.10 each of the Company

| Name | Capacity | number of shares | Percentage of total issued shares | Notes |
|---|--------------------------------|------------------|-----------------------------------|----------|
| Mr. J. Ezra Merkin | Held by controlled corporation | 1,780,500 | 19.99% | (1) |
| Gabriel Capital Corporation | Held by controlled corporation | 1,284,449 | 14.42% | (1) |
| Gabriel Capital, L.P. | Beneficial owner | 496,051 | 5.57% | (1) |
| Ariel Fund Limited | Beneficial owner | 731,572 | 8.22% | (1) |
| Mr. Hsu Sheng-yu | Held by controlled corporation | 1,075,040 | 12.07% | (2) |
| Chung Chia Co., Ltd. | Beneficial owner | 598,743 | 6.72% | (2) |
| Kwang Shun Co., Ltd. | Beneficial owner | 476,297 | 5.35% | (2) |
| Ms. Hsu Tsui-hua | Held by controlled corporation | 598,743 | 6.72% | (3) |
| Ms. Chang Hsiu-yen | Held by controlled corporation | 476,297 | 5.35% | (4) |
| Shanghai International Group Corporation Ltd. | Held by controlled corporation | 503,000 | 5.65% | (5) |
| Shanghai International Trust & Investment Corporation | Beneficial owner | 503,000 | 5.65% | (5) |
| Temasek Holdings (Private) Ltd. | Held by controlled corporation | 500,000 | 5.61% | (6) |
| Hong Lim Fund Investments Pte Ltd. | Beneficial owner | 500,000 | 5.61% | (6) |
| Sinopac Global Investment Ltd. | Beneficial owner | 603,752 | 6.78% | (7) |
| Ruentex Industries Ltd. | Held by controlled corporation | 860,752 | 9.67% | (7), (8) |
| Ruentex Development Co., Ltd. | Held by controlled corporation | 831,752 | 9.34% | (7), (9) |

DIRECTORS' REPORT *(Cont'd)*

SUBSTANTIAL SHAREHOLDERS *(Cont'd)*

Notes:

- (1) Mr. J. Erza Merkin is the General Partner of Gabriel Capital, L.P, he was deemed to be interested in 1,780,500 shares by virtue of his 100% control over Gabriel Capital Corporation and Gabriel Capital, L.P. Besides, Gabriel Capital Corporation was also deemed to be interested in the Company through its management of Ariel Fund Limited and other funds.
- (2) Mr. Hsu, Sheng-yu has an indirect interest in the Company through his 50% beneficial interest in each of Chung Chia Co., Ltd. and Kwang Shun Co., Ltd..
- (3) Ms. Hsu, Tsui-hua has an indirect interest in the Company through her 50% beneficial interest in Chung Chia Co., Ltd..
- (4) Ms. Chang, Hsiu-yen has an indirect interest in the Company through her 50% beneficial interest in Kwang Shun Co., Ltd..
- (5) Shanghai International Group Corporation Ltd has an indirect interest in the Company through its approximately 66.33% equity interest in Shanghai International Trust & Investment Corporation.
- (6) Hong Lim Fund Investments Pte. Ltd. is a wholly-owned subsidiary of Temasek Holdings (Private) Ltd.
- (7) Ruentex Construction Int'l (BVI) Ltd. ("Ruentex Construction") and Full Shine Int'l Holdings Ltd. ("Full Shine") each has a 49.06% equity interest in Sinopac Global Investment Ltd.
- (8) Apart from a direct holding of 257,000 shares in the Company, Ruentex Industries Limited has held indirect interest in the Company through its 100% ownership in Full Shine.
- (9) Apart from a direct holding of 228,000 shares in the Company, Ruentex Development Co., Ltd has held indirect interest in the Company through its 100% ownership in Ruentex Construction.

Other than disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the Company's issued share capital as at December 31, 2005.

MAJOR CUSTOMERS AND SUPPLIERS

A substantial portion of the Company's income is derived from the Company's investments and bank deposits and the disclosure of information regarding customers would not be meaningful. The Company has no major suppliers requiring disclosure.

EMOLUMENT POLICY

The emolument policy of the employee of the Company is set up by the executive directors based on their merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Board of Directors, having regard to the Company's operating results, individual performance and comparable market statistics.

PURCHASE, SALE OR REDEMPTION OF SHARES

The Company did not purchase, sell or redeem any of the Company's shares during the year.

DIRECTORS' REPORT *(Cont'd)*

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's Articles although there are no restrictions against such rights under the laws in the Cayman Islands.

MODEL CODE

During the year ended December 31, 2005, the Company has adopted the Model Code as set out in Appendix 10 of the Listing Rules as its code of conduct regarding directors' securities transactions. The Company has made specific enquiry of all directors regarding any non-compliance with the Model Code during the year ended December 31, 2005, and they have all confirmed their respective full compliance with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company's Audit Committee has been established since 1999 and currently comprises Mr. Yick, Wing Fat Simon (Chairman), Mr. Ong, Ka Thai, Dr. Hua, Min and Mr. Chen, Chi-chuan, all of whom are non-executive directors of the Company, with three of them being independent. The terms of reference based on "A Guide for Effective Audit Committees" was adopted by the Board to confer the authority and duties of the Audit Committee. It meets at least twice annually with the external auditor to discuss the interim results and annual results of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to and within the knowledge of the Directors, it is confirmed that there is sufficient public float of more than 25% of the Company's issued shares as at the date of this report.

AUDITORS

A resolution will be proposed to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board
WU, Choi Sun William
Executive Director

Hong Kong, March 16, 2006