



REPORT OF DIRECTORS

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The board of directors (the “Board”) of the Company presents this report together with the audited consolidated financial statements of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding whilst the principal activities of the subsidiaries are the dealership of motor vehicles and spare parts, operating auto malls in Guangzhou, car repair services, property development in the People’s Republic of China (the “PRC”), operation of indoor family entertainment game centres (the “Game centres”) and manufacturing and selling automobile axles in the PRC.

AUDITORS

The financial statements have been audited by Grant Thornton who will retire and, being eligible, offer themselves for re-appointment. A resolution will be submitted to the annual general meeting to re-appoint Grant Thornton as auditors of the Company.

FINANCIAL RESULTS

The results for the Group for the year ended 31 December 2005, are set out in the financial statements on page 26.

PARTICULARS OF PRINCIPAL SUBSIDIARIES AND JOINT VENTURES

Particulars regarding the principal subsidiaries and joint ventures of the Company and of the Group are set out in note 18 to the financial statements on pages 58 to 64.

SEGMENT INFORMATION

The segment information for the Group for the year ended 31 December 2005, are set out in note 6 to the financial statements on pages 47 to 49.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year under review, the Group’s turnover amounted to approximately HK\$316.09 million (2004: HK\$6.76 million) representing an increase 46.8 times as compared to that of 2004. The substantial increase in turnover was due to the acquisition of APG Group on 1 August 2005, which engaged in the dealership of motor vehicles and spare parts, operating auto malls in Guangzhou, car repair services and property development in the PRC. The Group recorded a substantial loss attributable to shareholders of HK\$218.22 million (2004: 40.92 million) for the year ended 31 December 2005. It is mainly a result of an impairment loss recognized for the goodwill in relation to the Group’s investment in APG, amounting to HK\$103.61 million. In addition, an operating loss of approximately HK\$123.81 million was also recorded including the operating loss of the APG Group.

(a) Dealership of motor vehicles and provision of repair services

Since the acquisition of APG, the Group has a total of 12 outlets and 12 repair centers in Shanghai, Ningbo and Guangzhou, in addition, also operate auto malls in Guangzhou. The Group currently distributed 15 brands of passenger cars (on a non-exclusive basis) including MG Rover, GM Buick, Volkswagen, Ford and Audi. During the period from 1 August 2005 to 31 December 2005, it sold a total of approximately 3,000 passenger cars. This line of business recorded turnover of HK\$288.88 million and operating loss of



HK\$64.42 million for the said period. In 2005, the manufacturer of MG Rover was declared bankruptcy in England. It adversely affected the sales of MG Rover in PRC and indirectly caused the legal proceedings between the Group and the sale agent. Besides, the severe competition in the market of dealership of motor vehicles, the operation of auto mall in Guangzhou is difficult. As a result, the performance of this line of business did not reach the desired goal at the time of acquiring the APG Group.

(b) Property development

Since the acquisition of APG, the Group also undertakes property development in Ningbo. The development project comprises of a residential project in Ningbo the PRC with a site area of approximately 10,300 square meters. The project was completed at the end of 2005. During the period from 1 August 2005 to 31 December 2005, it sold a total of approximately 9,000 square meters floor area. This line of business recorded turnover of HK\$26.16 million and loss of HK\$16.17 million. This business was operating in a relatively steady environment.

(c) Game center

During the year, the Group remain operate two entertainment game centers in PRC. This business recorded turnover of HK\$1.05 million and a loss of HK\$0.34 million. As compared to the corresponding year in 2004, the turnover decreased by 36.7% while the loss decreased by 75.9%. The decrease in turnover was mainly caused by closure of game center in Wuxi in September 2004 which still recorded approximately turnover HK\$0.51 million in the corresponding year. The decrease in loss was mainly due to the reduction of costs and the closure of lost centers. The Group has no intention to commit more resources to this business line as the prospects for operating indoor game center in PRC is gloomy in the highly competitive environment in the market.

(d) Automobile axles

The Group's 51% owned sino-foreign equity joint venture (the "JV") established in the PRC, Shenyang Liao Hua Automobile Axles Company Ltd maintained operations in the first half of 2004 with revenue amounting to approximately HK\$5.1 million. Due to the re-allocation of plant, the production was suspended. As a result, no turnover and an insignificant loss were recorded during the year ended 31 December 2005. The Chinese joint venture partner requested a substantial expansion of the JV, the Group is reviewing and considering the proposal in a view of maximizing the Group's benefit and in the best interest of the Group.

(e) Investment business

The Group maintained its position in locating favorable investment projects globally. During the year, the Group recorded a net loss of approximately HK\$36.2 million, when compared to a loss of HK\$34.78 million in 2004.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2005, net current liabilities of the Group were approximately HK\$74.63 million. The pledged bank deposits, bank balances and cash were approximately HK\$101.11 million. The Group has outstanding borrowings of approximately HK\$164.23 million comprising bills payable and secured bank loans of approximately HK\$158.54 million and other loans of approximately 5.69 million. The bank borrowings are basically on floating interest rates basis.



The cash flow position of the Group for the year ended 31 December 2005 is set out in the financial statements on page 30.

CHARGES ON GROUP ASSETS

As at 31 December 2005, certain of the Group's assets with a net book value approximately of HK\$7.14 million (2004: nil); bank deposits of HK\$81.50 million (2004: HK\$0.7million) were pledged to secure the general banking facilities granted to the Group.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND ANY RELATED HEDGES

Almost all of the income and expenditure of the Group were denominated in Hong Kong Dollar, Renminbi and United States Dollar. In view of the stability of the exchange rates among these three currencies, the Group has not been subject to exchange rate fluctuation exposure and thus no financial instruments have been adopted for hedging purpose.

NEW BUSINESS, MATERIAL ACQUISITIONS AND DISPOSALS

In March 2004, the Group subscribed for a 6.5% interest in American Phoenix Group ("APG"). Pursuant to the capital reorganization of APG in March 2005, the Group's interest in APG increased to 23.82% with no additional capital contribution. On 20 September 2004, American Compass Inc. ("ACI"), a wholly owned subsidiary of the Company, as lender, advanced US\$5.6 million to APG. APG has a 100% interest in Ningbo Phoenix Automobile Distribution and Services Co. Limited ("PADS"). PADS is incorporated in PRC, and its principal operating activities are the dealership of motor vehicles and spare parts, operating auto malls in Guangzhou and property development in the PRC.

On 11 March 2005 and as supplemented by an extension letter dated 12 May 2005, ACI signed an agreement with APG ("the 1st Acquisition Agreement"), under the 1st Acquisition Agreement, ACI agreed to subscribe for 35,569,384 Subscription Shares at US\$5,753,930. The Subscription Shares represent approximately 48.5% of the existing issued share capital of APG and approximately 32.66% of the enlarged share capital of APG upon completion of the 1st Acquisition Agreement. The consideration will be satisfied by setting off against the principal amount owed by APG to ACI and the interest accrued thereon as of 11 March 2005 upon completion of the 1st Acquisition Agreement.

On 11 March 2005 and as supplemented by 39 extension letters dated 12 May 2005, 37 individuals and 2 limited liability companies ("the Vendors"), being the legal and beneficial owners of Sale Shares, APG, ACI and the Company signed an agreement (the 2nd Acquisition Agreement"), whereas ACI agreed to acquire from the Vendors the Sale Shares, being 55,874,144 Class A, common stock of APG, represent 76.18% of the existing share capital of APG or 51.3% of the enlarged issued share capital of APG after completion of the 1st Acquisition Agreement. The consideration for the sale and purchase of the Sale Shares is US\$17,589,496 (equivalent to approximately HK\$137,198,069) and will be satisfied by the allotment and issue, at the Issue Price, of the Consideration Shares. The Issue Price will be the higher of HK\$0.25 per Share and the average of the closing prices per Share as quoted on the Stock Exchange for 5 trading days prior to the Special General Meeting approving the 1st and 2nd Acquisition Agreements.



The shareholders of the Company unanimously approved the 1st and 2nd Acquisition Agreements in the SGM, which was held on 18 July 2005. The Issue Price of the Consideration Shares was fixed at HK\$0.25. On 1 August 2005, the 1st and 2nd Acquisition Agreements were completed and the Consideration Shares, being 548,792,232 shares in the Company were allotted to the Vendors.

Save as disclosed above, there was no other new business, material acquisitions and disposals of subsidiaries and associated companies in the financial year under review.

POST BALANCE SHEET EVENTS

The post balance sheet subsequent events for the Group for the year ended 31 December 2005, are set out in note 43 to the financial statements on page 87.

LEGAL PROCEEDINGS

Brief details of a legal proceedings the Group for the year ended 31 December 2005 are set out in note 42 to the financial statements on pages 84 to 87.

HUMAN RESOURCES

The Group had a total of approximately 750 employees as at 31 December 2005. It has been the Group's policy to ensure that the pay levels of its employees are rewarded on a performance related basis within the general framework of the Group's salary and bonus system. The Group has participated in a mandatory provident fund scheme for its employees based in Hong Kong. Shares options may also be granted to eligible persons of the Group.

RETIREMENT SCHEME

The Group's Hong Kong employees participate in a mandatory provident fund scheme. Particulars of this retirement scheme are set out in note 31 to the financial statements on page 70.

BORROWINGS

The borrowings for the Group for the year ended 31 December 2005, are set out in note 32 to the financial statements on pages 70 and 71.

PROSPECTS

The penetration into the market of dealership of motor vehicles did not improve the performance of the Group during the year. The Group considers imposing high level of internal control on the operation of the APG Group; such as better control on costs, stock management and restructure the subsidiaries. In addition, the Group is currently evaluating investment opportunity in other field such as biotechnology.

DIVIDEND

The Directors do not recommend the payment of final dividend for year ended 31 December 2005 (2004: Nil), and the Company did not pay any dividend during the year under review.

PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group for the year ended 31 December 2005 are set out in note 16 to the financial statements on pages 54 to 57.



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RESERVES

Movements in the reserves of the Group and the Company for the year ended 31 December 2005 are set out in note 37 to the financial statements on pages 78 and 79.

SHARE CAPITAL

On 1 August 2005, the Company issued 548,232,232 shares for the acquisition of APG group. The details of issued share capital of the Company for the year ended 31 December 2005 are set out in note 35 to the financial statements on page 72.

CONTINGENT LIABILITIES

Details of the Group's contingent liabilities are set out in note 39 to the financial statements on pages 80 and 81.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five financial years is set out in the financial statements on page 88.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

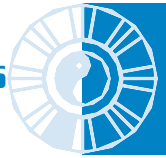
As at 31 December 2005, according to the register kept by the Company pursuant to section 336 of the Securities and Futures Ordinance ("SFO") and so far as is known to, or can be ascertained after reasonable enquiry by the directors of the Company, the following persons had an interest or short position in the shares and underlying shares of the Company ("Shares") which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name	Note	Number of Shares	Percentage
Sun East LLC	1	945,456,600	38.68%
Pure Shine Limited ("PSL")		162,951,000	6.67%
Brilliance China Automotive Holdings Limited ("BCA")	2	162,951,000	6.67%

Note:

1. Sun East LLC is a company owned as to 35% by Mr. Yung Yeung (shared equally with his wife under the law of California) and 65% by Mr. Chunhua Huang and Mr. Yuwen Sun as trustees for certain trusts (the "Trust") established for the benefit of the children of Mr. Yung Yeung at 31 December 2005. On 21 March 2006, Mr. Manwai Ma replaced Mr. Chunhua Huang to act as the trustees of the Trust.
2. PSL is a wholly-owned subsidiary of BCA. By virtue of BCA's interest in PSL, BCA is deemed to be interested in the Shares held by PSL.

Save as disclosed above, no person, other than Directors whose interests are set out in the section "Directors' interests in shares below, had registered an interest or short positions in the share capital or underlying shares of the Company that was required to be recorded under Section 336 of SFO.



DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31 December 2005, the interests and short positions of the directors and the chief executive of the Company in the share capital of the Company or its associated corporations, as defined in Part XV of the SFO and as recorded in the register required to be kept by the Company under Section 352 of the SFO were as follow:

Name of Director	Company/name of associated corporation	Nature of interest	Number of ordinary shares/debentures
Yung Yeung	Company	Corporate interest (Note 1)	945,456,600
Yung Yeung	Company	Personal interest (Note 3)	31,570,000
Yung Yeung	Company	Personal interest (Note 5)	10,000,000
Jun Li	Company	Personal interest (Note 3)	5,400,000
Jun Li	Company	Personal interest (Note 4)	13,540,000
Jun Li	Company	Personal interest (Note 5)	5,000,000
Chunhua Huang	Company	Personal interest (Note 3)	5,400,000
Chunhua Huang	Company	Personal interest (Note 4)	13,540,000
Chunhua Huang	Company	Corporate interest (Note 2)	945,456,600
Chunhua Huang	Company	Personal interest (Note 5)	5,000,000
Yuwen Sun	Company	Personal interest (Note 4)	18,940,000
Yuwen Sun	Company	Corporate interest (Note 2)	945,456,600
Yuwen Sun	Company	Personal interest (Note 5)	5,000,000
Wing Tak Law	Company	Personal interest (Note 5)	15,500,000
Chizuko Kubo	Company	Personal interest (Note 4)	5,000,000
Chizuko Kubo	Company	Personal interest (Note 5)	5,000,000
Ho Yip Lee	Company	Personal interest (Note 5)	5,000,000
Jian Wang	Company	Personal interest (Note 5)	5,000,000



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Notes:

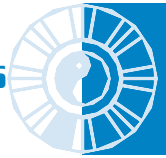
1. All these interests represent long positions. These 945,456,600 Shares (representing 38.68% of the issued share capital of the Company as at 31 December 2005) are beneficially owned by Sun East LLC, a company which is held as to 35% by Mr Yung Yeung (shared equally with his wife under the law of California) and as to 65% by Mr. Chunhua Huang and Mr. Yuwen Sun as trustee for certain trusts established for the benefit of the children of Mr. Yung Yeung. On 21 March 2006, Mr. Manwai Ma replaced Mr. Chuhua Huang to act as the duties of the Trust. Mr. Yung Yeung is deemed to be interested in the 945,456,600 Shares by virtue of his interest in Sun East LLC.
2. All these interests represent long positions. These 945,456,600 Shares (representing 38.68% of the issued share capital of the Company as at 31 December 2005) are beneficially owned by Sun East LLC, a company which is held as to 35% by Mr. Yung Yeung (shared equally with his wife under the law of California) and as to 65% by Mr. Chunhua Huang and Mr Yuwen Sun as trustees for certain trusts established for the benefit of the children of Mr. Yung Yeung. On 21 March 2006, Mr. Manwai Ma replaced Mr. Chuhua Huang to act as the duties of the Trust. Mr. Chunhua Huang and Mr. Yuwen Sun are deemed to be interested in the 945,456,600 Shares by virtue of their interest in Sun East LLC as at 31 December 2005.
3. Such number of Shares represents the underlying shares of the options granted under the share option Scheme of the Company adopted on 15 March 1995 (“1995 Scheme”), which was terminated pursuant to a resolution in writing of the shareholders of the Company passed on 12 June 2003 and replaced by the 2003 Scheme (as defined below).
4. Such number of Shares represents the underlying shares of the options granted on 5 January 2004 under the share option scheme of the Company adopted on 12 June 2003 (“2003 Scheme”).
5. Such number of Shares represents the underlying shares of the options granted on 9 August 2005 under 2003 Scheme.

In addition to the above, Mr. Jun Li has non-beneficial personal equity interests in certain subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed in this report, none of the Directors or their associates had any personal, family, corporate or other interests in the equity or debt securities of the Company or any of its associated corporations as at 31 December 2005.

DIRECTORS’ RIGHTS TO SUBSCRIBE FOR SHARES

Save as disclosed under the section headed “Directors’ Interests and Short Positions” above, and the section headed “Share Option Scheme” below, at no time during the year ended 31 December 2005 were rights to acquire benefits by means of the acquisition of shares or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them, or was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire such rights in any other body corporate.


SHARE OPTION SCHEME

The following share options were outstanding under the 1995 scheme and 2003 scheme during the period commencing from 1 January to 31 December 2005:–

Name or Category of Participant	As at 1 January 2005	Shares granted during the period	Shares lapsed/ cancelled during the period	As at 31 December 2005	Date of Grant	Exercise Price	Exercise Period
Directors:							
Yung Yeung	10,000,000	–	–	10,000,000	Note 1	Note 1	Note 1
	21,570,000	–	–	21,570,000	Note 2	Note 2	Note 2
	–	10,000,000	–	10,000,000	Note 4	Note 4	Note 4
Jun Li	5,400,000	–	–	5,400,000	Note 2	Note 2	Note 2
	13,540,000	–	–	13,540,000	Note 3	Note 3	Note 3
	–	5,000,000	–	5,000,000	Note 4	Note 4	Note 4
Chunhua Huang	5,400,000	–	–	5,400,000	Note 2	Note 2	Note 2
	13,540,000	–	–	13,540,000	Note 3	Note 3	Note 3
	–	5,000,000	–	5,000,000	Note 4	Note 4	Note 4
Yuwen Sun	18,940,000	–	–	18,940,000	Note 3	Note 3	Note 3
	–	5,000,000	–	5,000,000	Note 4	Note 4	Note 4
Chizuko Kubo	5,000,000	–	–	5,000,000	Note 3	Note 3	Note 3
	–	5,000,000	–	5,000,000	Note 4	Note 4	Note 4
Wing Tak Law	–	15,500,000	–	15,500,000	Note 4	Note 4	Note 4
Jian Wang	–	5,000,000	–	5,000,000	Note 4	Note 4	Note 4
Ho Yip Lee	–	5,000,000	–	5,000,000	Note 4	Note 4	Note 4
Sub-total	93,390,000	55,500,000	–	148,890,000			
Employees:							
(in aggregate)	4,800,000	–	–	4,800,000	Note 1	Note 1	Note 1
	9,400,000	–	–	9,400,000	Note 2	Note 2	Note 2
	18,772,000	–	–	18,772,000	Note 3	Note 3	Note 3
	–	73,900,000	–	73,900,000	Note 4	Note 4	Note 4
Sub-total	32,972,000	73,900,000	–	106,872,000			
Other eligible persons:							
(in aggregate)	–	60,000,000	–	60,000,000	Note 4	Note 4	Note 4
Total:	126,362,000	189,400,000	–	315,762,000			



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Notes:–

1. These share options were granted on 16 February 2000 and are exercisable at a subscription price of HK\$0.69 per Share at any time during the period of 10 years from 16 February 2000 to 15 February 2010.
2. These share options were granted on 2 November 2000 and are exercisable at a subscription price of HK\$0.382 per Share at any time during the period of 10 years from 2 November 2000 to 1 November 2010.
3. These share options were granted on 5 January 2004 and are exercisable at a subscription price of HK\$0.160 per Share at any time during the period of 10 years from 26 January 2004 to 4 January 2014.
4. These share options were granted on 9 August 2005 and are exercisable at a subscription price of HK\$0.114 per Share at any time during the period of 10 years from 29 January 2005 to 8 August 2015.

The Board does not consider it appropriate to disclose a theoretical value of the share options granted to the directors and employees of the Company in the previous years because a number of factors crucial for valuation cannot be determined; such factors include the exercise period and the conditions that a share option is subject to. Accordingly, any valuation of the share options based on the various speculative assumptions would not be meaningful and could be misleading to the shareholders.

Brief information on the 1995 Scheme and the 2003 Scheme are as follows:

	The 2003 Scheme	The 1995 Scheme
1) Purpose of the share option scheme	As incentives and rewards to eligible participants for their contribution to the Group and assist the Group in its recruitment and retention of high calibre professionals, executives and employees who are instrumental to the growth of the Group	Provide incentives and rewards to eligible participants who contribute to the success of the Group's operations
2) Participants of the share option scheme	<ol style="list-style-type: none"> a) any employee (whether full time or part time, including any executive director but excluding any non-executive director) of the Company, any of its subsidiaries, or any entity (the "Invested Entity") in which any member of the Group holds any equity interest; b) any non-executive directors (including independent non-executive directors) of the Company, any of its subsidiaries or any Invested Entity; 	Eligible employees including executive directors and employees of the Company and its wholly-owned subsidiaries



- c) any supplier of goods or services to any member of the Group or any Invested Entity;
- d) any customer of the Group or any Invested Entity;
- e) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;
- f) any shareholder of any member of the Group other than the Company or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;
- g) any advisor (professional or otherwise) or consultant to the Group relating to business development of the Group or any member of the Group or any Invested Entity; and
- h) any joint venture partner or business alliance that co-operates with any member of the Group or any Invested Entity in any area of business operation or development.

3)	Maximum entitlement of each participant under the share option scheme	In any 12-month period, shall not exceed 1% of the shares in issue	Shall not exceed 25% of the maximum aggregate number of shares in the capital of the Company at the time of grant or such other percentage as the Board may determine from time to time
4)	The period within which the shares must be taken up under an option	The Board may in its absolute discretion determine save that such period shall not expire later than 10 years from the date of grant	10 years from the date of grant



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| 5) | The minimum period for which an option must be held before it can be exercised | Unless otherwise determined by the Board, no minimum period | At any time after grant and acceptance |
| 6) | The amount payable on application or acceptance of the option and the period within which payments or calls must or may be made or loans for such purposes must be repaid | Upon acceptance of the option, the grantee shall inform the Company together with HK\$1 by way of consideration for the grant within 21 days from the date of offer | Upon acceptance of the option, the grantee shall inform the Company together with HK\$1 by way of consideration for the grant within 28 days from the date of offer |
| 7) | The basis of determining the exercise price | The exercise price is determined by the Board and being not less than the higher of:

a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of shares on the date of offer for grant which must be a business day; or

b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheet for trade in one or more board lots of shares for the 5 business days immediately preceding the date of offer for grant which must be a business day; or

c) the nominal value thereof | The exercise price shall not less than the greater of:

a) 80% of the average closing price of the shares of the Company on the Stock Exchange on the 5 trading days immediately preceding the date of offer of such option; or

b) such amount as the Board may from time to time determine subject to the Listing Rules applicable for the time being; or

c) nominal amount of the share |
| 8) | The remaining life of the share option scheme | The scheme remains in force until 12 June 2013 | The scheme was terminated on 12 June 2003 |



Renewal of the 10% share option scheme limit under the 2003 Scheme was approved by the shareholders of the Company on 16 June 2004. Therefore, the Company can grant share options to subscribe for up to 189,545,100 shares of the Company under the 2003 Scheme. As 189,400,000 share option has been granted under the 2003 scheme on 9 August 2005, the total number of shares available for issue under the 2003 scheme is 145,100 representing 0.01% of the Company's issued share capital as at the date of this report.

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries or associated companies was a party and in which any 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.

DIRECTORS' SERVICE CONTRACTS

None of the directors of the Company for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employer within one year without payment of compensation, other than statutory compensations.

MAJOR CUSTOMERS AND SUPPLIERS

Turnover

For the year ended 31 December 2005, the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

Purchases

The percentage of the Group's costs attributable to the five largest suppliers for the year are as follows: –

The largest supplier	37%
The five largest suppliers in aggregate	61 %

As far as the Directors are aware, no directors of the Company or any of its subsidiaries, their associates or any shareholders of the Company (who to the directors' knowledge is interested in or owns more than 5 per cent. of the Company's share capital) has any shareholding in the suppliers or customers referred to above.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is available to the Company and within the knowledge of the Directors of the Company, the Company has maintained the prescribed public float under the Listing Rule.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year.



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PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Company's bye-laws or the laws of Bermuda.

CORPORATE GOVERNANCE

The Group is committed to achieving and maintaining the standards of corporate governance so as to ensure better transparency and protection of shareholders' interest in general. The Code on Corporate Governance Practices (the "Code") contained in appendix 14 of the Listing Rules as promulgated by the Stock Exchange of Hong Kong Limited (the "Stock Exchange") came into effect for the reporting year commencing on 1 January 2005 (save for the provisions on internal controls which came into effect for accounting period commencing from 1 July 2005 onwards). The Group complied all requirements of the Code, with deviation from code provisions as stated in the Report on Corporate Governance.

On behalf of the Board

Jun Li
Director

25 April 2006