

Directors' Report

The board of directors of the Company (the "Board") are pleased to submit their report together with the audited financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2006.

PRINCIPAL ACTIVITIES AND SEGMENT INFORMATION

The principal activity of the Company is investment holding. Its three core businesses include international telecommunications services, mobile communications services and distribution and retail chain. The principal activities and other particulars of its subsidiaries are set out in note 41 to the financial statements.

Details of the analysis of the performance of the Group for the year by business segments and geographical segments are set out in note 8 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 March 2006 are set out in the consolidated income statement on page 32.

The Board does not recommend the payment of a dividend for the year ended 31 March 2006.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 33 to the financial statements.

DISTRIBUTABLE RESERVES

In accordance with the Companies Act 1981 of Bermuda (as amended) and the Company's Bye-laws, the Company has no distributable reserves as at 31 March 2006.

INVESTMENT PROPERTIES AND PROPERTY, PLANT AND EQUIPMENT

Details of the movements in investment properties and property, plant and equipment of the Group during the year are set out in notes 17 and 18 to the financial statements respectively.

SHARE CAPITAL AND SHARE OPTIONS

Details of the movements in share capital and share options of the Company during the year are set out in notes 31 and 32 respectively to the financial statements.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 2.

PRE-EMPTIVE RIGHTS

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

Directors' Report

PURCHASE, SALE AND REDEMPTION OF SHARES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's listed shares during the year.

DIRECTORS

The directors of the Company who held office during the year and up to the date of this report were:

Executive Directors

| | |
|---|---|
| Mr. WU Chi Chiu, <i>Deputy Chairman and Chief Executive Officer</i> | (appointed on 9 February 2006) |
| Ms. FAN Wei | (appointed on 9 February 2006) |
| Mr. Jeffrey WANG | (appointed on 9 February 2006) |
| Mr. HAU Tung Ying, <i>Chairman</i> | (re-designated as Non-executive Director on 6 March 2006) |
| Mr. SHUI Ming Hua | (resigned on 6 March 2006) |
| Dr. LI Bin | (resigned on 31 December 2005) |

Non-executive Directors

| | |
|---|---|
| Mr. HUANG An Guo †, <i>Chairman</i> | (appointed as director on 9 February 2006 and as Chairman on 10 April 2006) |
| Mr. LO Chi Ho, William † | (appointed on 9 February 2006) |
| Ms. WONG Fei Tat † | (appointed on 9 February 2006) |
| Mr. HAU Tung Ying, <i>Chairman</i> | (re-designated from Executive Director on 6 March 2006 and resigned on 10 April 2006) |
| Mr. LI Yi Sheng, <i>Deputy Chairman</i> | (resigned on 6 March 2006) |
| Mr. YIP Sam Lo † | (resigned on 6 March 2006) |
| Dr. HO Chung Tai, Raymond † | (resigned on 6 March 2006) |
| Mr. PANG Tsun Loy, Michael † | (resigned on 6 March 2006) |

† *Independent Non-executive Directors*

In accordance with bye-law 85(2) of the Bye-laws of the Company, all the existing directors of the Company, namely Mr. Wu Chi Chiu, Ms. Fan Wei, Mr. Jeffrey Wang, Mr. Huang An Guo, Mr. Lo Chi Ho, William and Ms. Wong Fei Tat, being appointed by the board of directors subsequent to the previous annual general meeting, shall hold office only until the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

The Company has received from each of the Independent Non-executive Directors an annual confirmation as regards their independence to the Company pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Company considers all its Independent Non-executive Directors are independent.

Directors' Report

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Brief biographical details of directors and senior management are set out on page 9.

DIRECTORS' SERVICE CONTRACTS

None of the directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed under the section of "Connected Transaction" described hereinunder, no other contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries 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.

DIRECTORS' INTERESTS IN SECURITIES

As at 31 March 2006, the directors and chief executive of the Company or their respective associates had the following interests or short positions in shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning the Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies (the "Model Code") in the Listing Rules, to be notified to the Company and the Stock Exchange :

(a) Interests in shares of the Company

| Name of director | No. of ordinary shares held | Nature of Interest | Position | Approximate shareholding percentage |
|-------------------------|------------------------------------|---------------------------|-----------------|--|
| Mr. WU Chi Chiu | 216,198,000 | Corporate | Long | 41.14% |
| | <i>(Note)</i> | | | |

Note: The 216,198,000 shares are held by Oriental Base Limited ("Oriental"), a company of which is wholly and beneficially owned by Mr. Wu Chi Chiu. Mr. Wu is therefore deemed to be interested in the 216,198,000 shares held by Oriental.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (continued)

(b) Interests in share options of the Company

As at 31 March 2006, details of share options granted to the directors of the Company, employees of the Group and others under the 1998 Share Option Scheme (as described under the section of "Share Option Schemes" below), were as follows:

| Grantee | Number of share options | | | Outstanding as at 31 March 2006 | Date of grant | Exercise period | Exercise price per share HK\$ | Share price on date of grant (Note) HK\$ | Share price on date of exercise HK\$ |
|---|---|-------------------------------|------------------------------|--|---------------|----------------------------|--|--|---|
| | Outstanding as at 1 April 2005 | Granted during the year | Lapsed during the year | | | | | | |
| Director: | | | | | | | | | |
| Mr. HAU Tung Ying (resigned on 10 April 2006) | 2,000,000 | - | - | 2,000,000 | 20/03/2001 | 20/03/2002 – 19/03/2011 | 0.75 | 0.87 | N/A |
| Employees and Others: | | | | | | | | | |
| | 92,693 | - | (41,197) | 51,496 | 29/06/1998 | 29/06/1999 – 17/03/2008 | 0.751 | 1.45 | N/A |
| | 834,242 | - | (236,883) | 597,359 | 19/08/1999 | 19/08/2000 – 17/03/2008 | 2.00 | 3.05 | N/A |
| | 839,392 | - | - | 839,392 | 25/02/2000 | 25/02/2001 – 17/03/2008 | 3.19 | 3.80 | N/A |
| | 2,173,150 | - | (381,075) | 1,792,075 | 17/10/2000 | 17/10/2001 – 17/03/2008 | 1.22 | 1.59 | N/A |
| | 14,250,000 | - | (2,750,000) | 11,500,000 | 20/03/2001 | 20/03/2002 – 19/03/2011 | 0.75 | 0.87 | N/A |
| | 300,000 | - | (100,000) | 200,000 | 28/01/2002 | 28/01/2003 – 27/01/2012 | 0.75 | 0.71 | N/A |
| | <u>20,489,477</u> | <u>-</u> | <u>(3,509,155)</u> | <u>16,980,322</u> | | | | | |

Note: The price of the shares disclosed as at the date of grant of share options refers to the closing price of the shares on the trading date immediately prior to the date of grant of share options.

All interests disclosed above represent long positions.

During the year, there were no share options granted, exercised or cancelled under the share option schemes of the Company.

Directors' Report

DIRECTORS' INTERESTS IN SECURITIES (continued)

Save as disclosed above, as at 31 March 2006, none of the directors, chief executive of the Company or their respective associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which such director or chief executive was taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Save as disclosed above, at no time during the year was the Company or any of its subsidiaries 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, and neither the directors, nor chief executive of the Company, or any of their spouses or children under the age of 18 had any interests in, or had been granted, any rights to subscribe for any securities in or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such right during the year.

SUBSTANTIAL SHAREHOLDERS

As at 31 March 2006, the following persons or companies (other than the directors and chief executive of the Company) had or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO:

| Name of shareholder | No. of ordinary shares held | Position | Approximate shareholding percentage |
|---|------------------------------------|-----------------|--|
| Oriental | 216,198,000 <i>(Note 1)</i> | Long | 41.14% |
| Midsino International Limited ("Midsino") | 54,049,500 <i>(Note 2)</i> | Long | 10.29% |
| Mr. YANG Jun | 54,049,500 <i>(Note 2)</i> | Long | 10.29% |
| Ms. MA Lin | 54,049,500 <i>(Note 2)</i> | Long | 10.29% |

Directors' Report

SUBSTANTIAL SHAREHOLDERS (continued)

Notes:

- (1) The 216,198,000 shares are held by Oriental, a company of which is wholly and beneficially owned by Mr. Wu Chi Chiu, a director of the Company. Mr. Wu is therefore deemed to be interested in the 216,198,000 shares held by Oriental. The interests disclosed represent the same interests as the corporate interest of Mr. Wu as disclosed under the section of "Directors' interests in securities" above.
- (2) The 54,049,500 shares are held by Midsino, a company of which is beneficially owned as to 50% by Mr. Yang Jun and as to 50% by his spouse, Ms. Ma Lin. Each of Mr. Yang and Ms. Ma is therefore deemed to be interested in the 54,049,500 shares held by Midsino.

Save as disclosed above, there was no person known to the directors or chief executive of the Company who, as at 31 March 2006, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

- (a) Pursuant to the share option scheme of the Company adopted on 18 March 1998 and subsequently amended on 19 February 2000 and 2 February 2001 (the "1998 Share Option Scheme"), the directors of the Company might at their discretion invite eligible employees of the Group, including executive directors of the Company, to take up options to subscribe for shares in the Company under the terms and conditions stipulated therein. The 1998 Share Option Scheme was subsequently terminated by the Company at a special general meeting held on 6 September 2002 but the share options granted and not yet exercised thereunder would however remain effective and are bound by the terms therein. Details of share options granted under the 1998 Share Option Scheme were disclosed under the section of "Directors' interests in securities" above.
- (b) On 6 September 2002, the Company adopted a new share option scheme (the "New Share Option Scheme"). No share options have ever been granted by the Company under the New Share Option Scheme since its adoption.

Directors' Report

SHARE OPTION SCHEMES (continued)

Summary of each of the 1998 Share Option Scheme and the New Share Option Scheme is as follows:

| | 1998 Share Option Scheme | New Share Option Scheme |
|-----------------|--|--|
| 1) Purpose | To recognise the services of such employees being vital to the success and well-being of the Group, to motivate such employees to optimise their performance standards and efficiency, to promote greater commitment and dedication amongst such employees | To recognise and acknowledge the contributions or potential contributions made or to be made by the Participants to the Group, to motivate the Participants to optimise their performance and efficiency for the benefit of the Group, and to maintain or attract business relationship with the Participants whose contributions are or may be beneficial to the growth of the Group |
| 2) Participants | Full-time employee of the Group (including non-executive directors who are occupying an executive role in the Group) or an executive director | <p>(a) any part-time or full-time employee or officer of any member of the Group or any affiliate or of any substantial shareholder of any member of the Group; or</p> <p>(b) director (including executive and non-executive) or chief executive of any member of the Group or of any affiliate; or</p> <p>(c) any supplier, sales agent, customer, joint venture partner, accountant or legal adviser of, or business development and technological consultant to, any member of the Group; or</p> <p>(d) any substantial shareholder of the Company or of the subsidiaries</p> <p>who, in the opinion of the board of directors, has made or will make contributions which are or may be beneficial to the Group as a whole</p> |

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SHARE OPTION SCHEMES (continued)

| | 1998 Share Option Scheme | New Share Option Scheme |
|---|---|---|
| 3) Total number of shares available for issue | 10% of issued share capital of the Company from time to time | 52,547,557 shares (10% of total issued share capital as at the adoption date of the scheme) |
| 4) Maximum entitlement of each participant | 25% of the total number of shares in respect of which the Company may grant options under the scheme | <p>In any 12-month period:</p> <p>(a) 1% of the issued share capital of the Company from time to time (excluding substantial shareholders and independent non-executive directors)</p> <p>(b) 0.1% of the issued share capital of the Company from time being and not exceeding HK\$5 million in aggregate value (for substantial shareholders and independent non-executive directors)</p> <p>For any options to be granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, approval by independent non-executive directors is required</p> |
| 5) Option period | <p>For options granted before 20 March 2001: at any time after the first anniversary of the date of grant and before the tenth anniversary of the date of grant or the expiry of the scheme, whichever is earlier</p> <p>For options granted on/after 20 March 2001: at any time after the first anniversary of the date of grant and before the tenth anniversary of the date of grant</p> | The period shall be the period set out in the relevant offer letter provided that such period must expire no later than the tenth anniversary of the date on which an option is offered |

Directors' Report

SHARE OPTION SCHEMES (continued)

| | 1998 Share Option Scheme | New Share Option Scheme |
|---|---|--|
| 6) Minimum period for which an option must be held before it can vest | <p>For options granted before 20 March 2001, they are exercisable after the first anniversary of the date of grant</p> <p>For options granted on/after 20 March 2001, they are subject to the following vesting periods:</p> <p>(a) after the first anniversary of the date of grant, 33% of the options are exercisable</p> <p>(b) after the second anniversary of the date of grant, 33% of the options are exercisable</p> <p>(c) after the third anniversary of the date of grant, 34% of the options are exercisable</p> | <p>Unless otherwise determined by the Board at its absolute discretion, there shall be no general performance target or minimum holding period to the vesting or exercise of options</p> |
| 7) Payment on acceptance of option | <p>A non-refundable remittance of HK\$1.00 to be paid within 21 days from the date on which the option is offered</p> | <p>A non-refundable remittance of HK\$1.00 to be paid within 21 days from the date on which the option is offered</p> |

Directors' Report

SHARE OPTION SCHEMES (continued)

| | 1998 Share Option Scheme | New Share Option Scheme |
|-----------------------|--|---|
| 8) Subscription price | <p>For options granted before 2 February 2001, the subscription price shall be the higher of</p> <p>(a) a price being not less than 85% of the lower of the average of the last dealt price of shares on the Stock Exchanges in Singapore and Hong Kong for the 5 consecutive trading days immediately preceding the date of grant; or</p> <p>(b) the nominal value of a share</p> <p>For options granted after 2 February 2001, the subscription price shall be the higher of</p> <p>(a) a price being not less than 80% of the average of the closing price of shares on the Stock Exchange in Hong Kong as stated on its daily quotation sheets for the 5 consecutive trading days immediately preceding the date on which an option is offered; or</p> <p>(b) the nominal value of a share</p> | <p>The subscription price shall be a price notified by the Board to the Participant at the time of the grant. Such price shall be the highest of</p> <p>(a) the closing price of the shares as stated in the daily quotations sheet issued by the Stock Exchange on the date on which an option is offered; or</p> <p>(b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date on which an option is offered; or</p> <p>(c) the nominal value of the shares</p> |
| 9) Life | <p>The scheme shall continue to be in force for a maximum period of 10 years commencing from the adoption date, ie 18 March 1998</p> | <p>The scheme shall be valid and effective for a period of 10 years commencing on 6 September 2002 and expiring on 6 September 2012</p> |

Directors' Report

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

CONNECTED TRANSACTIONS

The Group had the following material transactions with connected parties which were carried out in the ordinary course of business and on terms arranged by or between the parties during the year ended 31 March 2006:

| 1. | 2006 HK\$'000 |
|--|------------------|
| Rental expense paid to: | |
| A company under control by the spouse of a director of the Company | 1,140 |
| Service fee paid to: | |
| Minority shareholders of subsidiaries | 1,350 |

2. Amounts due from CMTH and its subsidiaries

- (i) On 9 July 2003, the Company entered into an agreement with China Motion Telecom Holdings Limited ("CMTH"), a minority shareholder of subsidiaries of the Company, to reschedule the repayment of receivables in aggregate amount of HK\$373,422,000 (the "Debt") due from CMTH and its subsidiaries (collectively, the "CMTH Group") by 5 yearly instalments.

At 31 March 2005, the outstanding balance of the Debt amounted to HK\$334,331,000. Prior to 14 July 2005, the due date of the second scheduled repayment, CMTH informed the Group that CMTH Group would be unable to repay the outstanding debts in accordance with the repayment schedule. The Company's management has performed an assessment and concluded that the recoverability of the Debt owing by CMTH Group is remote. Accordingly, the Group has made a full provision for the Debt for the years ended 31 March 2005 and 2006. Details of the provision made are set out in note 9(a) to the financial statements.

CONNECTED TRANSACTIONS (continued)

2. Amounts due from CMTH and its subsidiaries (continued)

- (ii) On 30 January 2003, Shenzhen Motion Mobile Telecom Services Co., Ltd ("SMMT"), a subsidiary of the Company, entered into an acquisition agreement with CMTH to acquire 50% equity interest in China Motion Netcom Services Co., Ltd ("CM Netcom") which is engaged in a VoIP business providing long distance call related services in the PRC in two stages at an aggregate consideration of RMB276,000,000 (equivalent to approximately HK\$258,000,000). Stage one of the acquisition was completed in August 2003. The stage two acquisition of 25% equity interest in CM Netcom of HK\$129,000,000 was to be completed in December 2005. The consideration for the stage two acquisition was to be paid for by offsetting against a portion of the funding of the telecommunications project receivables of HK\$207,546,000.

In November 2005, a letter issued by CMTH to the Company confirmed that they have pledged all its equity interest in CM Netcom to a financial institution established in the PRC. As a result, CMTH would not be able to transfer the 25% equity interest in CM Netcom to SMMT free from encumbrances by 31 December 2005. By reason of CMTH's breach of the relevant acquisition agreement, SMMT issued a notice of rescission to CMTH on 19 December 2005 to rescind the acquisition agreement. However, the Group had taken a conservative approach to make relevant provision against the VoIP related business and the receivables designated as consideration for stage two acquisition for the years ended 31 March 2005 and 2006. Details of the provision made are set out in note 9(b) to the financial statements.

The above transactions have also been disclosed as related party transactions in note 35 to the financial statements.

All the above transactions are disclosed in accordance with Chapter 14A of the Listing Rules and have not exceeded the cap disclosed in the previous announcements and / or required under the Listing Rules.

The directors, including independent non-executive directors, of the Company have reviewed and confirmed that the above transactions have been entered into by the Group:

- (i) in the ordinary and usual course of business of the Group;
- (ii) either on normal commercial terms or, if there are no sufficient transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than the terms available to / from (as appropriate) independent third parties; and
- (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in interests of the shareholders of the Company as a whole.

Directors' Report

MAJOR CUSTOMERS AND SUPPLIERS

The percentages of sales and purchases for the year ended 31 March 2006 attributable to the Group's major customers and suppliers are as follows:

Sales

| | |
|---------------------------------|-----|
| The largest customer | 19% |
| Five largest customers combined | 28% |

Purchases

| | |
|---------------------------------|-----|
| The largest supplier | 27% |
| Five largest suppliers combined | 42% |

None of the directors, their associates or any shareholders (which to the knowledge of the directors own more than 5% of the Company's share capital) had an interest in the major customers or suppliers noted above.

ADVANCES TO ENTITIES

In accordance with the requirement under Rule 13.20 of the Listing Rules, the directors of the Company report the details of advances to CMTH and its subsidiaries as at 31 March 2006 as follows:

| | <i>Note</i> | Total HK\$'000 |
|--|-------------|--------------------------|
| Trade receivables from | | |
| CMTH | | 88,863 |
| China Motion Mobile Services Co., Ltd. | | 127,246 |
| Shenzhen China Motion Telecom United Company Limited | | 102,599 |
| | | <hr/> |
| | 1 | 318,708 |
| GSM Trust Investment | 2 | 155,505 |
| | | <hr/> |
| Less: provision for doubtful debts | 3 | (474,213) |
| | | <hr/> |
| At 31 March 2006 | | – |

Directors' Report

ADVANCES TO ENTITIES (continued)

Notes:

1. The balances of the trade receivables from CMTH Group which are with interest bearing at 2.25% per annum had been included under the Debt as defined in and to be repaid pursuant to the repayment agreement entered into between the Company and CMTH on 9 July 2003. Details of the transaction are set out in notes 35(b) to the financial statements.
2. The GSM Trust Investment included (i) HK\$129,000,000 to be set off against the consideration payable for the acquisition of further 25% in CM Netcom in stage two to be completed by 31 December 2005 and (ii) HK\$78,546,000 being part of the Group's capital expenditure funding made to the GSM project in 1997 which are with interest bearing at 2.25% per annum had been included under the Debt as defined and to be repaid pursuant to the repayment agreement entered into between the Company and CMTH on 9 July 2003. By reason of CMTH's breach of the acquisition agreement, a subsidiary of the Group issued a notice of rescission to CMTH on 19 December 2005 to rescind the acquisition agreement. Accordingly, the remaining balance of the consideration designated for stage two acquisition amounting to HK\$58,028,000 was reclassified as amount due from CMTH. Details of the transaction are set out in note 35(b) to the financial statements.
3. Details of the provision made are set out in notes 9 and 35 to the financial statements.

SUBSEQUENT EVENT

In order to provide the Company with greater flexibility in issuing shares at a price higher than its nominal value in future according to the Companies Act, a capital reorganisation, involving capital reduction and authorised share capital cancellation, diminution and increase, was implemented on 23 May 2006 with approval of the shareholders at the special general meeting held on 22 May 2006. Pursuant to the capital reorganisation, the nominal value of each share of the Company was reduced from HK\$0.75 to HK\$0.01; the authorised share capital and the issued share capital of the Company were reorganised to HK\$780,000,000 divided into 78,000,000,000 shares of HK\$0.01 each and HK\$5,255,000 divided into 525,475,573 shares of HK\$0.01 each respectively. Details of the capital reorganisation are disclosed in note 39 to the financial statements.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of the report, based on the information that is publicly available to the Company and within the knowledge of the directors of the Company, the Company has maintained sufficient public float of not less than 25% of the Company's total issued share capital as required under the Listing Rules.

AUDITORS

During the year, the auditors, Messrs. PricewaterhouseCoopers, who acted as auditors of the Company for the past three years resigned and Messrs. Moores Rowland Mazars were appointed as auditors of the Company. A resolution will be submitted to the forthcoming annual general meeting to re-appoint Messrs. Moores Rowland Mazars as auditors of the Company.

On behalf of the Board

WU Chi Chiu

Director

Hong Kong, 12 July 2006