

# CHAIRMAN'S STATEMENT

Dear Shareholders,

2006 remained a difficult year for the Group. The Group's car dealership suffered from continued lackluster performance as few customers were interested in MG Rover cars after the British automotive group went bankrupt.

The Board of directors are working hard to raise funds for the Group and broaden its revenue and earnings' base. The Group will consider dispose the Chinese automotive dealership network as the MG Rover cars will face new competition from domestically made MG sports cars and Rover cars albeit in different names. Such new competition is likely to further diminish customers' interest in the Group's inventory of MG Rover products and fundamentally damage Ningbo Phoenix's prospects.

The Group will consider acquiring new businesses and/or establishing new businesses once the Group's financial resources allow such acquisition(s) and expansion.

On behalf of the Board of Directors, I would like to thank all shareholders for their continued support of the Group and all employees for their loyalty to the Group.

**Yung Yeung**

*Chairman*

16 May 2007