

REPORT OF DIRECTORS

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 2006.

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, car repair services, property development, operation of indoor family entertainment game centres (the “Game Centres”) and manufacturing and selling automobile axles in the People’s Republic of China (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 2006 are set out in the financial statements on page 36.

PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars regarding the principal subsidiaries of the Company and of the Group are set out in note 18 to the financial statements on pages 73 to 80.

SEGMENT INFORMATION

The segment information for the Group for the year ended 31 December 2006, are set out in note 6 to the financial statements on pages 60 to 62.

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

For the year under review, the Group's turnover amounted to approximately HK\$864.16 million (2005: HK\$316.09 million) representing an increase 2.73 times as compared to that of 2005. The substantial increase in turnover was due to the 2006 figure reflected the full year results of the business in dealership of motor vehicles and spare parts, car repair services and property development in the PRC whereas only the post-acquisition turnover, from 1 August 2005 to 31 December 2005, of this line of business was reflected in 2005. The Group recorded a substantial loss attributable to shareholders of HK\$88.16 million (2005: HK\$218.22 million) for the year ended 31 December 2006. During the year, there is no impairment loss are recognized for the goodwill (2005: HK\$103.61 million) in relation to the Group's investment. As a result, the loss in 2006 is significant decreased.

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

At 31 December 2006, The Group operates six sales outlets and five repair centers in Shanghai and Ningbo. During the year, the outlets and auto malls in Guangzhou were closed as a result of the disputes with the landlord and the poor operation conditions. The Group currently distributed seven brands of passenger cars on a non-exclusive basis. During the year, the Group sold a total of approximately 7,000 passenger cars and recorded turnover of HK\$856.71 million (2005: HK\$288.88 million) and operating loss HK\$31.88 million (2005: HK\$61.95 million).

(b) *Property development*

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 and saleable floor area of approximately 17,000 square meters. The project has been completed at the end of 2005. During the year, the Group sold a total of approximately 3,000 square meters (2005: 9,300 square meters) floor area. It is expected that the price of properties will rise in the future. Therefore, the sale is suspended in the second half of the year and thus the turnover is decreased from HK\$26.16 million to HK\$6.24 million. In addition, certain provisions for inventories, receivables and prepayments have also been made during the year. As a result, the loss in 2006 is increased from HK\$16.17 million to HK\$36.41 million.

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(c) *Game center*

During the year, the Group remains operating two entertainment game centers in PRC. This business recorded turnover HK\$1.09 million (2005: HK\$1.05 million) and a loss of HK\$0.49 million (2005: HK\$0.34 million). The increase in loss was mainly due to the additional costs for improving the safety condition of the game centers in order to comply the more strict safety regulations. The Group has no intention to commit more resources to this business line as the prospects for operating indoor game centers 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 Liaohua Automobile Axles Company Ltd has suspended operations since the mid of 2004 as the result of re-allocation of plant. The Chinese joint venture partner requested a substantial expansion of the JV, the Group reviewed and considered the proposal and took a view that the expansion of the JV is not in the best interest of the Group. Since the suspension is not likely to be resumed in near future, for the sake of prudence, the Group has made full impairment for the remaining major assets. It caused a significant increase of losses from HK\$1.05 million to HK\$14.66 million.

(e) *Investment holding and others*

The Group maintained its position in locating favorable investment projects globally. During the year, these activities recorded a loss of approximately HK\$28.38 million (2005: loss of HK\$36.2 million).

LIQUIDITY AND FINANCIAL RESOURCES

At 31 December 2006, net current liabilities of the Group were approximately HK\$181.29 million (2005: HK\$74.63 million) The pledged bank deposits were approximately HK\$96.38 million (2005: HK\$81.50 million) while the cash and cash equivalents amounted to HK\$25.95 million (2005: HK\$19.61 million). The Group has outstanding borrowings of approximately HK\$212.75 million (2005: HK\$164.23 million) comprising (i) bills payable of HK\$166.98 million (2005: HK\$114.05 million) (ii) secured bank loans of HK\$39.79 million (2005: HK\$44.49 million) and (iii) other loan of HK\$5.98 million (2005: HK\$5.69 million). The bank borrowings are basically on floating interest rates basis.

CHARGES ON GROUP ASSETS

As at 31 December 2006, certain of the Group's assets with a net book value approximately of HK\$4.55 million (2005: HK\$7.14 million); bank deposits of HK\$96.38 million (2005: HK\$81.50 million) were pledged to secure the general banking facilities granted to the Group.

BORROWINGS

Brief details of borrowing of the Group for the year ended 31 December 2006 are set out in note 29 to the financial statements on page 87.

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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

- (1) On 20 March 2006, Ningbo Huadu entered into an equity transfer agreement on the transfer of the 55% equity interest in Jinhua Huadu held by Ningbo Huadu with a consideration of RMB6,900,000.
- (2) On 6 June 2006, the Company entered into the acquisition agreement ("June Agreement") with Hygeia Land Group LLC ("the Vendor") in relation to the acquisition of the entire shareholding interest (the "June Acquisition") in Hygeia Land LLC ("the US Co") and Hygeia Land Inc. (collectively the "Target Companies"). Sun East LLC ("Sun East"), Ms. Sophia Li, Mr. Yung Yeung and Mrs. Yeung (Collectively the "Warrantors") acted as the warrantors of this transaction. Sun East holds approximately 38.7% of the issued share capital of the Company, is a connected person of the Company under the Listing Rules. The Vendor is owned as to 60% by Sun East and is an associate of Sun East under the Listing Rules. The US Co. is holding an exclusive worldwide sales and distribution right of Smokeshield™, an anti-oxidant product, granted by New Chapter Inc under the Distributorship Agreement. The aggregate consideration for the Acquisition was HK\$23.4 million. On 26 September 2006, the Company and the Vendor entered a deed of cancellation (the "Deed") of the June Agreement. The parties agreed to mutually release and discharge each other from all obligations, duties, responsibilities, claims and liabilities arising out of or in connection with the June Agreement. None of the Company, the Vendor or the Warrantor is subject to any compensation or penalty as a result of the termination of the June Agreement. On the same date, the Company and the Vendor entered a new Sale & Purchase Agreement (the "SPA") in relation to the acquisition of the Target Companies under revised terms. The details of the Deed and the SPA were set out in the announcement dated 28 September 2006. Subsequently, the SPA has been terminated pursuant to a deed of cancellation dated 28 November 2006 entered into between the Company, the Vendor and the Warrantors (the "New Deed"). Pursuant to the New Deed, the parties to the SPA agreed to mutually release and discharge each other from all obligations, duties, responsibilities, claims and liabilities arising out of or in connection with the SPA. None of the Company, the Vendor or the Warrantors is subject to any compensation or penalty as a result of the termination of the SPA. The termination of June Agreement and SPA would not give rise to any material adverse impact on the Company.

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- (3) On 23 November 2006, Ningbo Phoenix Automobile Distribution and Services Company, Limited, which is an indirect wholly-owned subsidiary of the Company, entered into the sale and purchase agreement (the "Disposal Agreement") with an independent third party to sell, subject to certain conditions, a 51% equity interest (the "Equity Interest") in one of its subsidiary with a consideration of RMB5,813,500. The Equity Interest is now being frozen under the civil award (the "Civil Award") (refer to note 39(9): Litigation in the notes to financial statement).

The conditions for the completion of transactions are as follows:

- (a) compliance of applicable requirements under the Listing Rules by the Company; and
- (b) the Equity Interest is being released from the Civil Award.

It is currently expected that the transaction can be completed by July 2007. If any of the above conditions could not be fulfilled, subject to the liability of either party to the other in respect of any antecedent breaches of the terms thereof, the agreement shall be null and void and of no effect. The Company will inform the shareholders by way of an announcement upon the completion of the Disposal Agreement.

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 2006 are set out in note 40 to the financial statements on page 110.

LEGAL PROCEEDINGS

Brief details of legal proceedings of the Group for the year ended 31 December 2006 are set out in note 39 to the financial statements on pages 104 to 110.

HUMAN RESOURCES

The Group had a total of approximately 400 employees as at 31 December 2006. 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.

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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 28 to the financial statements on page 84.

PROSPECTS

The Board is actively purposing fund raising opportunities for meeting working capital requirement and further expansion. The Board has confidence to achieve it as the capital market is booming in recent years. The Board consider to adopt strategies to exit the business which is lose-making and with unpromising prospect. The Board actively explores other investment opportunities in the natural resources or health care areas.

DIVIDEND

The Directors do not recommend the payment of final dividend for year ended 31 December 2006 (2005: Nil), and the Company did not declare any dividend during the year under review.

PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment of the Group and the Company for the year ended 31 December 2006 are set out in note 16 to the financial statements on pages 69 to 72.

RESERVES

Movements in the reserves of the Group and the Company for the year ended 31 December 2006 are set out in note 34 to the financial statements on pages 98 and 99.

SHARE CAPITAL

The details of issued share capital of the Company for the year ended 31 December 2006 are set out in note 32 to the financial statements on page 89.

COMMITMENTS AND CONTINGENCY

Details of the Group's contingent liabilities are set out in note 36 to the financial statements on pages 99 and 100.

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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 112.

RELATED PARTY TRANSACTIONS

Significant related party transactions entered into by the Group during the year ended 31 December 2006 are disclosed in note 35 to the financial statements on page 99.

SUBSTANTIAL SHAREHOLDERS' INTEREST IN THE SHARE CAPITAL OF THE COMPANY

As at 31 December 2006, 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. Manwai Ma 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 2006.
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.

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DIRECTORS' INTERESTS AND SHORT POSITIONS

As at 31 December 2006, 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	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

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 2006) 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. Manwai Ma and Mr. Yuwen Sun as trustee for certain trusts established for the benefit of the children of Mr. Yung Yeung. Mr. Yung Yeung is deemed to be interested in the 945,456,600 Shares by virtue of his interest in Sun East LLC.

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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 2006) 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. Manwai Ma and Mr Yuwen Sun as trustees for certain trusts established for the benefit of the children of Mr. Yung Yeung. Mr. Yuwen Sun is deemed to be interested in the 945,456,600 Shares by virtue of their interest in Sun East LLC as at 31 December 2006.
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 the 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 elsewhere 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 2006.

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 2006 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.

REPORT OF DIRECTORS

SHARE OPTION SCHEME

The following share options were outstanding under the 1995 scheme and 2003 scheme during the period commencing from 1 January 2006 to 31 December 2006:

Name or Category of Participant	As at 1 January 2006	Reclassification during the year	Shares lapsed/cancelled during the year	As at 31 December 2006	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, Jack	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	148,890,000	(5,000,000)	-	143,890,000			
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	5,000,000	3,000,000	75,900,000	Note 4	Note 4	Note 4
Sub-total	106,872,000	5,000,000	3,000,000	108,872,000			
Other eligible persons:							
(in aggregate)	60,000,000	-	-	60,000,000	Note 4	Note 4	Note 4
Total:	315,762,000	-	3,000,000	312,762,000			

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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

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The 2003 Scheme

- 2) Participants of the share option scheme
- 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;
 - 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;

The 1995 Scheme

Eligible employees including executive directors and employees of the Company and its wholly-owned subsidiaries

REPORT OF DIRECTORS

The 2003 Scheme

The 1995 Scheme

	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
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

REPORT OF DIRECTORS

The 2003 Scheme

- 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
- 7) The basis of determining the exercise price
- 8) The remaining life of the share option scheme
- 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
- 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 scheme remains in force until 12 June 2013

The 1995 Scheme

- 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
- 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
- The scheme was terminated on 12 June 2003

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On 16 June 2004, the shareholders of the Company approved the renewal of the 10% share option scheme limit under the 2003 Scheme. 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 31 December 2006.

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 2006, 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	27%
The five largest suppliers in aggregate	54%

As far as the Directors are aware, no directors of the Company, 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.

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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.

PRE-EMPTIVE RIGHTS

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

On Behalf of the Board

Jun Li

Director

16 May 2007