Spread Prospects Holdings Limited
展鴻控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL SUMMARY

The Board of Directors (the "Board") of Spread Prospects Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2006 together with comparative figures for the previous year as follows:-

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	NOTES	**2006** *RMB'000*	2005 *RMB'000*
Turnover	4	**518,093**	470,789
Cost of sales		**(359,632)**	(333,155)
Gross profit		**158,461**	137,634
Other income		**5,312**	2,188
(Loss) gain on change in fair values of derivative financial instruments		**(10,449)**	389
Selling expenses		**(15,691)**	(14,268)
Administrative expenses		**(17,231)**	(12,760)
Finance costs	5	**(6,306)**	(5,351)
Profit before taxation	6	**114,096**	107,832
Income tax expense	7	**(17,594)**	(14,491)
Profit for the year		**96,502**	93,341
Earnings per share	9		
- Basic		**RMB0.224**	RMB0.221
- Diluted		**RMB0.219**	RMB0.202

CONSOLIDATED BALANCE SHEET

At 31 December 2006

	NOTES	**2006**	2005
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment		**181,892**	128,458
Deposits paid for acquisition of property, plant and equipment		**12,110**	9,089
Prepaid lease payments		**2,016**	2,064
Pledged bank deposits		**5,252**	—
		201,270	139,611
Current assets			
Inventories		**13,660**	15,207
Trade receivables	10	**125,511**	103,224
Other receivables, deposits and prepayments		**6,765**	3,572
Prepaid lease payments		**48**	48
Pledged bank deposits		**16,413**	12,962
Bank balances and cash		**393,261**	336,841
		555,658	471,854
Current liabilities			
Trade payables	11	**14,310**	20,976
Bills payable		**39,205**	33,666
Receipt in advance, other payables and accrued charges		**16,431**	14,010
Amount due to ultimate holding company		**—**	3,120
Amounts due to directors		**248**	381
Taxation payable		**3,876**	4,339
Bank loans - amount due within one year		**92,290**	53,150
Convertible notes		**—**	30,727
Derivative financial instruments		**7,310**	627
		173,670	160,996
Net current assets		**381,988**	310,858
		583,258	450,469
Capital and reserves			
Share capital		**52,287**	44,817
Reserves		**525,846**	389,662
Equity attributable to equity holders of the parent		**578,133**	434,479
Non-current liabilities			
Bank loans - amount due after one year		**5,125**	15,990
		583,258	450,469

Notes:

1. GENERAL

The Company is incorporated as an exempted company with limited liability in the Cayman Islands on 21 October 2002 under the Companies Law of the Cayman Islands. Its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

During the year, subsequent to the placing of 21,000,000 existing shares of the Company by Fu Teng Global Limited ("Fu Teng"), a company incorporated in the British Virgin Islands, Fu Teng ceased to be the ultimate holding company of the Company.

The Company is an investment holding company. The principal activities of the Group are the manufacture and sale of tinplate cans for the packaging of food and beverage in the People's Republic of China (the "PRC"), and provision of tinplate lacquering and printing services.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, a number of new standard, amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The adoption of the new HKFRSs had no material effect on how the results and financial position of the Group for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new standards, amendment and interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendment or interpretations will have no material impact on the consolidated financial statements of the Group.

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HKFRS 8	Operating segments[2]
HK(IFRIC) - INT 7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[3]
HK(IFRIC) - INT 8	Scope of HKFRS 2[4]
HK(IFRIC) - INT 9	Reassessment of embedded derivatives[5]
HK(IFRIC) - INT 10	Interim financial reporting and impairment[6]
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions[7]
HK(IFRIC) - INT 12	Service concession arrangements[8]

[1] Effective for annual periods beginning on or after 1 January 2007.

[2] Effective for annual periods beginning on or after 1 January 2009.

[3] Effective for annual periods beginning on or after 1 March 2006.

[4] Effective for annual periods beginning on or after 1 May 2006.

[5] Effective for annual periods beginning on or after 1 June 2006.

[6] Effective for annual periods beginning on or after 1 November 2006.

[7] Effective for annual periods beginning on or after 1 March 2007.

[8] Effective for annual periods beginning on or after 1 January 2008.

3. **SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Companies Ordinance.

The consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value.

4. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for goods sold and services rendered during the year.

Business segments

For management reporting purposes, the Group is currently organised into two divisions - (a) manufacture and sale of tinplate cans; and (b) provision of tinplate lacquering and printing services in the PRC.

The Group's operation by business segment is as follows:

	2006	2005
	RMB'000	*RMB'000*
Income statement		
Turnover - external		
Manufacture and sale of tinplate cans	**462,961**	416,283
Tinplate lacquering and printing services	**55,132**	54,506
	518,093	470,789
Segment result		
Manufacture and sale of tinplate cans	**113,398**	93,541
Tinplate lacquering and printing services	**25,823**	26,108
	139,221	119,649
Interest income	**2,805**	2,142
Unallocated corporate expenses	**(11,175)**	(8,997)
(Loss) gain on change in fair values of derivative financial instruments	**(10,449)**	389
Finance costs	**(6,306)**	(5,351)
Profit before taxation	**114,096**	107,832
Income tax expense	**(17,594)**	(14,491)
Profit for the year	**96,502**	93,341

	2006	2005
	RMB'000	*RMB'000*
Balance sheet		
Assets		
Segment assets		
Manufacture and sale of tinplate cans	**293,146**	217,355
Tinplate lacquering and printing services	**9,665**	14,853
Assets in common use	**28,498**	22,053
Unallocated corporate assets	**425,619**	357,204
Total assets	**756,928**	611,465
Liabilities		
Segment liabilities		
Manufacture and sale of tinplate cans	**57,494**	62,486
Tinplate lacquering and printing services	**—**	—
Liabilities in respect of assets in common use	**3,297**	4,439
Unallocated corporate liabilities	**118,004**	110,061
Total liabilities	**178,795**	176,986
Other information		
Capital additions:		
Manufacture and sale of tinplate cans	**54,888**	14,036
Tinplate lacquering and printing services	**8,700**	—
Assets in common use	**4,227**	2,367
Unallocated corporate assets	**—**	34
	67,815	16,437
Depreciation of property, plant and equipment:		
Manufacture and sale of tinplate cans	**10,991**	10,437
Tinplate lacquering and printing services	**—**	—
Assets in common use	**2,984**	2,833
Unallocated corporate assets	**402**	609
	14,377	13,879

No geographical segment analysis is shown as the Group's operating businesses are substantially carried out in the PRC.

5. FINANCE COSTS

	2006	2005
	RMB'000	*RMB'000*
Interest on borrowings wholly repayable within five years		
- bank borrowings	**4,423**	3,428
- convertible notes	**1,612**	1,788
	6,035	5,216
Bank charges	**271**	135
	6,306	5,351

6. PROFIT BEFORE TAXATION

	2006	2005
	RMB'000	*RMB'000*
Profit before taxation has been arrived at after charging:		
Directors' remuneration	**2,776**	2,755
Other staff costs	**10,253**	8,274
Retirement benefit cost, other than directors	**113**	70
Share-based payments	**2,424**	—
Total staff costs	**15,566**	11,099
Auditor's remuneration	**1,093**	1,053
Cost of inventories recognised as an expense	**359,632**	333,155
Depreciation of property, plant and equipment	**14,377**	13,879
Loss on disposal of property, plant and equipment	**4**	—
Minimum lease payments in respect of:		
- land and buildings	**1,085**	1,583
- machinery and equipment	**2,000**	1,500
Release of prepaid lease payments	**48**	48
and after crediting:		
Interest income	**2,805**	2,142
Net foreign exchange gain	**2,344**	177

7. INCOME TAX EXPENSE

	2006	2005
	RMB'000	*RMB'000*
The charge comprises:		
Income tax calculated at the rates prevailing in the PRC	**17,594**	14,491

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

A PRC subsidiary has operations in the Fujian province, the PRC which is located in a coastal city economic development zone. The applicable income tax rate for productive enterprises located in coastal cities is 24%, and a reduced rate of 15% for the operational profits derived from the relevant economic development zones, with a local enterprise tax rate of 3%. According to the letter issued by Fuqing State Tax Bureau on 28 March 2003, the local enterprise tax of 3% is exempted. In addition, another PRC subsidiary operating in the Shanxi province is exempted from PRC Foreign Enterprise Income Tax commenced 2005 for three years and thereafter a 50% tax relief for the next two years. The local enterprise tax of 3% is exempted according to local tax preferential policy.

The charge for the year can be reconciled to the profit before taxation for the year as follows:

	2006	2005
	RMB'000	RMB'000
Profit before taxation	**114,096**	107,832
Tax at PRC income tax rate of 24% (2005: 24%)	**27,383**	25,880
Tax effect of expenses that are not deductible in determining taxable profit	**5,619**	2,263
Tax effect of income that is not taxable in determining taxable profit	**(30)**	(116)
Tax effect of income that is under tax holiday	**(5,201)**	(5,188)
Tax effect of income that is under preferential tax rate	**(10,556)**	(8,695)
Others	**379**	347
Tax charge for the year	**17,594**	14,491

The Group did not have any significant unprovided deferred taxation arising during the year or at the balance sheet date.

8. DIVIDEND

	2006	2005
	RMB'000	*RMB'000*
Ordinary shares:		
Interim, paid - nil	**—**	—
Final, paid for 2005 - RMB0.025 (2005: Final, paid for 2004 - RMB0.030) per share	**10,553**	12,549
	10,553	12,549

The final dividend for the year ended 31 December 2006 of HK$0.045 (equivalent to approximately RMB0.045) (2005: HK$0.024 (equivalent to approximately RMB0.025)) per share has been proposed by the directors and is subject to approval by the shareholders in general meeting.

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	2006	2005
	RMB'000	*RMB'000*
Earnings:		
Profit for the year for the purposes of basic earnings per share	**96,502**	93,341
Effect of dilutive potential ordinary shares:		
Interest on convertible notes	**1,612**	1,788
Loss (gain) on change in fair value of conversion option derivative embedded in convertible notes	**4,861**	(389)
Profit for the year for the purposes of diluted earnings per share	**102,975**	94,740

	2006	2005
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**431,573,664**	422,800,000
Effect of dilutive potential ordinary shares:		
Convertible notes	**38,268,475**	46,705,805
Share options	**44,515**	—
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**469,886,654**	469,505,805

For the year ended 31 December 2006, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants as the exercise price of these warrants is higher than the average market price for the Company's shares for the year ended 31 December 2006.

For the year ended 31 December 2005, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding share options as the exercise price of these options is higher than the average market price for the Company's shares for the year ended 31 December 2005.

10. TRADE RECEIVABLES

The Group allows an average credit period of two to three months to its trade customers. An aged analysis of trade receivables is as follows:

	2006	2005
	RMB'000	*RMB'000*
Within 3 months	**123,644**	103,224
Over 3 months but not more than 6 months	**1,867**	—
	125,511	103,224

The directors of the Company consider that the carrying amount of trade receivables approximates its fair value.

11. TRADE PAYABLES

An aged analysis of trade payables is as follows:

	2006	2005
	RMB'000	*RMB'000*
Within 3 months	**14,216**	20,966
Over 3 months but not more than 6 months	**33**	—
Over 6 months but not more than 1 year	**61**	10
	14,310	20,976

The directors of the Company consider that the carrying amount of trade payables approximates its fair value.

FINANCIAL REVIEW

For the year ended 31 December 2006, the Group continued to achieve satisfactory results in its overall businesses, recording a turnover of approximately RMB518.1 million, (2005: RMB470.8 million) an increase of approximately 10%. This was largely attributable to the strong overall demand for food and beverage products in China.

The Group's gross profit amounted to approximately to RMB158.5 million (2005: RMB137.6 million), representing a year-on-year rise of 15.1%. The increases of gross profit were mainly due to the profitable operations of two-piece food cans, lacquering and printing services.

Profit for the year under review amounted to approximately RMB96.5 million (2005: RMB93.3 million), a year-on-year increase of 3.4%.

BUSINESS REVIEW

On the back of continuous technological innovations on products, better cost management and effective business strategy with greater focus on brand marketing, alongside an experienced and innovative management team, the Group attained steady growth in operations and realized satisfactory overall results, with both of its turnover and profits surpassing domestic enterprises in the industry in 2006. The analysis is detailed as follows:

1. **Flexible marketing and product strategies to expand customer base**

   The outstanding results attained by the Group were contributed by effective sales and marketing strategy. Besides brand and quality similar products, consumers' behavior can also be affected by new packaging design. In this regard, advice to customers on new can design in a reasonable manner and adding values were among the key sales and marketing strategies of the Group. For instance, it was recommended to streamline those prism-shaped parts of food cans, which added a softer touch and showed thoughtfulness for consumers. In addition, food cans became more pressure-resistant by strengthening the body structure.

With the launch of these new products, we built a good reputation in the industry which attracted more customers and expanded our market share. In 2006, the Group attracted 6 new major customers, including Tianjin Chalton Tomato Products Co, Ltd., Nantong Jinrilai Food Co., Ltd. and Qingdao Zhengjin (Group) Yongjin Food Co., Ltd.. As at the end of 2006, we had over one hundred corporate customers, and our sales network extended to 20 main provinces and cities in China.

2. **Business growth by enhancing product competitiveness**

a. *Two-piece food cans*

In 2006, the Group pressed ahead with technological improvement. As its market shares were increasing, the sales of two-piece cans showed a more than 80% increase.

- In order to better serve customers' needs, the R&D department improved the spraying process and enhanced the stability of spraying coatings through repeated experiments and the application of new technology, namely, ''ultra high temperature, short time sterilization'', so that the coatings would not fall off due to temperature changes. Such solution to this technical problem received high praises from customers, and as a result more orders were placed.

- The Group also cooperated with scientific research institutes to improve the ''deformed screen'' color printing technology, which enhanced the accuracy of deformed printing, the sharpness of images and the quality of three-dimensional effects. All these helped attract more customers.

b. *Lacquering and printing*

In 2006, the Group made continued efforts to improve the technology level of lacquering and printing, upgraded the computer system software for lacquering and printing production lines and renovated the overall facilities, which enhanced the accuracy of chromatography, printing speed, process control and quality control, as well as streamlined the workflow, and improved working efficiency and automatic processing capability. Furthermore, four new functions had been incorporated in the system, such as data retracing and recording, and indication of parameter adjustment, whilst further improving the performance of the new system.

3. **Improving accuracy, efficiency and performance of production lines, as well as basic facilities**

In the first half of 2006, the Group renovated the production line of three-piece easy-open cans. Not only did the Group simplify the production process but also improved its efficiency and automation. In addition, it undertook technological upgrades on the original basis, e.g. adding the second spraying facility to the production line. As a result, the coatings on the surface of empty cans can be sprayed once again even after being corroded during the production process, which was particularly applicable to more corrosive beverage with high acidic level.

In the end of 2006, after an examination by the local environmental protection department, the environmental protection processing system installed in the production tool base met and passed the control requirements by the national standards. The system commenced operation with official approval and acceptance of environmental protection upon completion of construction. As the heating project had been approved and accepted, the new factory commenced production in the second half of the 2006. Improvements and incorporation of infrastructure created a satisfactory working environment. In the second half of 2006, the Group merged the new and old factories to enhance work efficiency. The new factory layout will streamline production flow and raise productivity.

4. **Applying new advanced technology to ensure the quality of lacquering and printing services**

With the acquisition of digital proof system, the Group improved plate-making proof technology so as to replace the original traditional manual methods such as inputting ink by hand and modulating pressure. Digital proof automatically undergoes the "computer to proof and press" process by the computer software system, thereby enhancing the stability of plate-making effects. Problems in the traditional plate-making process, such as inaccurate use of paint and chromatography, could be identified and remedied on a timely basis. It also simplified the plate-making process, as well as guaranteed the consistency of proof, plate making and printing. Both speed and efficiency improved remarkably, whilst ensuring the maintenance of printing quality.

Prospects and Future Plans

Robust growth in the food and beverage industry paves way for a bright prospect for the packaging industry

Total beverage production in the PRC has exceeded the 20 million tonnage-mark in 2002 to reach 20.25 million tones. In 2005, the total beverage production surpassed the 30 million tonnage-mark to reach 33.8 million tones which grew by another 2% in 2006 to hit a record high of 41 million tones. The total beverage production more than doubled in just 4 years. China has become the second largest beverage production country in the world after the United States.

Statistics from China National Light Industry Council showed that in 2006, total cans production in Fujian province hit 895,300 tones, representing an increase of 14% over 785,700 tones in 2005. Fujian has been the leader in China in terms of total cans production for the past 4 years.

In 2005, China's total packaging industry output amounted to US$50 billion, representing a year-on-year increase of 22.4% and accounted for 2.2% of GDP in China, up from only 0.4% in the early 80's. It is expected that during the Eleventh Five-Year Plan (i.e. 2006-2010), total packaging industry output to reach RMB450 billion and continue to grow at an annual rate of 7%. From the year 2011 to 2015, the total packaging industry output is expected exceed RMB600 billion on the back of annual growth rate of 16%. In terms of product categories, in Year 2015, the production capacity for metal packaging product is expected to reach 4,9100,000 tones, plastic packaging products 9,460,000 tones, glass packaging products 15,500,000 tones and paper packaging products 36,000,000 tones in China.

Business Expansion Plans

1. Continued effort to maintain and expand the market of two-piece cans

   There has been increasing demand for two-piece cans in China. Thus, two-piece cans remain to be the key growth driver of sales and profits in the future. In order to cope with customers' changing needs, the Group will purchase models and shaping equipments of two-piece cans with three new can shapes, so as to expand the scope of products and reinforce its leading position in the two-piece cans market. This is expected to maintain the rapid profits growth of the Group. The new shape of the can is of the latest so far, and the production of new products will enable us to capitalize on opportunities.

2. Launch of new products to meet market demand

   The new can shapes are primarily designed for high acidity food products like tomato sauce, high sulfate-resistant marine products, and high temperature sterilized products such as meat. Such new shapes cans meet the needs of large number of local and overseas customers and possess a huge potential in the consumer market. The Group is continually devoted to improving quality control and enhancing the products' barrier and heat-resistant properties, so as to maintain the quality of can products and a good texture of food. In addition, the newly designed can shapes are demonstrating a great market potential.

3. Expansion of tinplate lacquering & printing services

   The tinplate lacquering and printing production line, after its upgrade in last year, enhance the printing quality, performance and gloss. This helps to enhance the positioning of printing as well as to meet the customers' stringent demands for quality service. To further enhance the Group's overall profit margin, the Group will focus on the high-end lacquering and printing services.

4. Establish an advanced R&D platform to enhance competitiveness

   The Group entered a research and development cooperation agreement with Fuzhou University Chemical Technical Research Centre (福州大學化工技術研究所) so as to give support to new investment and development plan of two-piece cans. Such move will help enhance the technological capabilities of the Group and manufacture products with advanced elements.

5. New facilities to expand production capacity and growth of business

   a. Production base in Fuqing

      For the production facilities at Fuqing Xia Cao, the Group is considering to acquire 80 hectares of land to expand the factories. The Group also plans to develop new product categories based on the original production lines. The completion of these two expansion plans will further enhance the Group's future profitability.

   b. Production base in Shanxi Fenyang

      For the production facilities at Shanxi Fenyang, the utilisation of three-piece cans capacity has reached approximately 85%. The Group is considering to acquire certain production lines for three-piece cans and lacquering and printing in the coming years. In view of the renovation of the production facilities, there will be a substantial growth in production. The Group has constructed a new factory on the leased land of 30 hectares in 2005 and is considering to acquire the leased land in order to cope with the needs for the expansion of the Group this year.

LIQUIDITY AND FINANCIAL RESOURCES

The Group generally financed its operations by internally generated cashflow and banking facilities provided by its bankers.

For the year ended 31 December 2006, the Group generated approximately RMB100.4 million (2005: RMB122.5 million) of cash from operations. As at 31 December 2006, the Group had cash and cash equivalents of approximately RMB393.3 million (2005: RMB336.8 million) and had total borrowings of approximately RMB97.4 million (2005: RMB99.9 million), comprising bank loans of approximately RMB97.4 million (2005: RMB69.2 million) and convertible notes of Nil (2005: RMB30.7 million), of the total of approximately RMB97.4 million bank loans outstanding as at 31 December 2006, RMB36 million were fixed rate debts with interest rate at 5.85% per annum. The remaining RMB30.4 million and RMB31.0 million of bank loan was subject to floating rate from 2% to 2.75% over HIBOR per annum and 1.75% over LIBOR per annum. The maturity profile for the Group's total borrowings was approximately 94.7% within one year and approximately 5.3% after one year but not exceeding three years. All of the aforementioned bank loans were guaranteed by corporate guarantees and pledged bank deposit from the Company.

As at 31 December 2006, the Group's current ratio, as a ratio of current assets to current liabilities, was approximately 3.2 (2005: 2.9) and the Group's gearing ratio, as a ratio of total interest-bearing borrowings to total assets, was approximately 12.9% (2005: 16.3%).

With respect to foreign exchange exposure, as the Group's transactions were mostly denominated in Renminbi and Hong Kong dollars, the exposure to foreign exchange fluctuations is minimal therefore no use of financial instruments for hedging purposes is considered necessary.

CAPITAL COMMITMENTS

As at 31 December 2006, the Group had capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately RMB3.8 million (2005: RMB10.1 million) and did not have any authorised but not contracted for capital commitments (2005: Nil).

PLEDGE OF ASSETS

As at 31 December 2006, bank deposit of approximately RMB21.7 million (2005: RMB13.0 million) was pledged to a bank for banking facilities granted to the Group to the extent of the amount of deposits placed with the banks.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group did not have any material contingent liabilities (2005: Nil).

EMPLOYEES AND EMOLUMENTS POLICIES

As at 31 December 2006, the Group employed a total of 445 employees (2005: 427 employees) situated mainly in the PRC and Hong Kong. The Group's emoluments policies are formulated based on industry practices and performance of individual employees. During the year under review, the total staff costs (including Directors' emoluments) amounted to approximately RMB15.6 million (2005: RMB11.1 mllion).

The Group operates a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group. There were totalling 15,940,000 share options were granted during the year ended 31 December 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 25 May 2007 to 5 June 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrars, Computershare Hong Kong Investor Services Limited of Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:00 p.m. on 23 May 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

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

AUDIT COMMITTEE

The audit committee consists of all the independent non-executive directors, namely, Mr. Tong Hing Wah, Mr. Chong Hoi Fung and Mr. Ng Wai Man. The audit committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the audited financial statements for the year ended 31 December 2006 of the Company.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain a high standard of corporate governance. It is believed that high standards of corporate governance provide a framework and solid foundation for promoting high standards of accountability, transparency and responsibility to our shareholders.

The Board considers that the Company has complied with the code provisions on the Code on Corporate Governance Practices (the "CG Code") that was set out in the Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange throughout the year ended 31 December 2006, except that (i) there is no division of roles of chairman and chief executive officer that both offices are held by Mr. Yang Zongwang; and (ii) the independent non-executive Directors are not appointed for specific terms. The reasons for such deviation from code provisions has been stated in the Company's 2005 Annual Report.

APPRECIATION

On the behalf of the Board, I would like to express my gratitude towards all our dedicated staff members for their devotion, commitment and precious contributions. At the same time, I would also like to thank all our shareholders, customers, suppliers and business partners for their support and faith in the Group. The Group will strive to move forward to attain even better results in the coming years.

As at this date of announcement, the Board comprise of:

Executive Directors
Yang Zongwang
(Chairman and Chief Executive Officer)
Xue De Fa
Xie Xi
Liu Zhi Qiang

Independent Non-Executive Directors
Tong Hing Wah
Chong Hoi Fung
Ng Wai Man

By Order of the Board
Yang Zongwang
Chairman

Hong Kong, 12 April 2007

Please also refer to the published version of this announcement in China Daily.