Spread Prospects Holdings Limited

展鴻控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board of directors (the "Board" or the "Directors") of Spread Prospects Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006 as set out below. The interim results have been reviewed by the Audit Committee and the Company's auditors.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

		Six months ended 30 June	
	NOTES	**2007**	2006
		RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Turnover	3	**307,383**	254,498
Cost of sales		**(210,778)**	(176,588)
Gross profit		**96,605**	77,910
Other income		**1,969**	1,498
Loss on change in fair values of derivative financial instruments		**(28,710)**	(10,800)
Selling expenses		**(8,953)**	(7,614)
Administrative expenses		**(12,186)**	(6,482)
Finance costs		**(3,265)**	(3,129)
Profit before taxation	4	**45,460**	51,383
Income tax expense	5	**(11,064)**	(8,655)
Profit for the period		**34,396**	42,728
Dividends paid	6	**22,726**	10,553
Earnings per share	7		
- Basic		**RMB0.068**	RMB0.101
- Diluted		**RMB0.066**	RMB0.101

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	NOTES	**30 June 2007 RMB'000 (Unaudited)**	31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	8	**199,401**	181,892
Deposits paid for acquisition of property, plant and equipment		**36,524**	12,110
Prepaid lease payments		**1,992**	2,016
Pledged bank deposits		**5,190**	5,252
		243,107	201,270
Current assets			
Inventories		**23,867**	13,660
Trade receivables	9	**184,766**	125,511
Other receivables, deposits and prepayments		**3,353**	6,765
Prepaid lease payments		**48**	48
Amount due from a director		**19**	—
Pledged bank deposits		**12,571**	16,413
Bank balances and cash		**523,467**	393,261
		748,091	555,658
Current liabilities			
Trade payables	10	**34,305**	14,310
Bills payable		**31,535**	39,205
Receipt in advance, other payables and accrued charges		**21,222**	16,431
Amounts due to directors		**—**	248
Taxation payable		**6,173**	3,876
Bank loans - amount due within one year		**85,956**	92,290
Derivative financial instruments	11	**114,020**	7,310
		293,211	173,670
Net current assets		**454,880**	381,988
		697,987	583,258
Capital and reserves			
Share capital		**60,739**	52,287
Reserves		**637,248**	525,846
Equity attributable to equity holders of the parent		**697,987**	578,133
Non-current liabilities			
Bank loans - amount due after one year		**—**	5,125
		697,987	583,258

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

Notes:

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a new Hong Kong Financial Reporting Standard ("HKFRS"), amendment to Hong Kong Accounting Standard ("HKAS") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2007.

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

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

HKAS 23 (Revised)	Borrowing cost [1]
HKFRS 8	Operating segments [1]
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions [2]
HK(IFRIC) - INT 12	Service concession arrangements [3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.

3. SEGMENT INFORMATION

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 People's Republic of China (the "PRC"). These divisions are the basis on which the Group reports its primary segment information.

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

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Turnover - external		
Manufacture and sale of tinplate cans	**276,317**	227,230
Tinplate lacquering and printing services	**31,066**	27,268
	307,383	254,498
Segment results		
Manufacture and sale of tinplate cans	**70,629**	57,656
Tinplate lacquering and printing services	**15,413**	12,795
	86,042	70,451
Interest income	**1,969**	1,406
Unallocated corporate expenses	**(10,576)**	(6,545)
Loss on change in fair values of derivative financial instruments	**(28,710)**	(10,800)
Finance costs	**(3,265)**	(3,129)
Profit before taxation	**45,460**	51,383
Income tax expense	**(11,064)**	(8,655)
Profit for the period	**34,396**	42,728

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**7,764**	7,149
Minimum lease payments in respect of:		
– land and buildings	**528**	794
– machinery and equipment	**1,180**	750
Release of prepaid lease payments	**24**	24
and after crediting:		
Interest income	**1,969**	1,406

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
The charge comprises:		
Income tax calculated at the rates prevailing in the PRC		
– current period	**11,064**	8,655

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 and 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 rate of 3% is exempted. In addition, another PRC subsidiary operating in the Shanxi province is exempted from PRC Foreign Enterprise Income Tax commenced in 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.

On 16 March 2007, the National People's Congress approved the Unified Corporate Income Tax Law (the "Unified CIT Law"). Accordingly, the tax rate will be unified for both domestic and foreign invested entities at 25%, with certain grandfathering provisions and preferential provisions. The Unified CIT Law will be effective from 1 January 2008.

No provision for deferred taxation has been recognised in the condensed consolidated financial statements as there are no significant temporary differences arising during the period or at the balance sheet date.

6. DIVIDENDS

At the annual general meeting of the Company held on 5 June 2007, a final dividend of HK$0.045 (equivalent to approximately RMB0.044) per share in respect of the year ended 31 December 2006, amounting to RMB22,726,000 was approved.

At the annual general meeting of the Company held on 6 June 2006, a final dividend of HK$0.024 (equivalent to approximately RMB0.025) per share in respect of the year ended 31 December 2005, amounting to RMB10,553,000, was approved.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007. No interim dividend was declared by the directors for the six months ended 30 June 2006.

7. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Earnings:		
Profit for the period for the purposes of basic earnings per share	**34,396**	42,728

	Six months ended 30 June	
	2007	2006
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**506,878,915**	422,800,000
Effect of dilutive potential ordinary shares:		
Share options	**12,828,165**	28,088
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**519,707,080**	422,828,088

For the six months ended 30 June 2007, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants since their exercise would result in an increase in earnings per share for the six months ended 30 June 2007.

For the six months ended 30 June 2006, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding convertible notes and warrants since their exercise would result in an increase in earnings per share for the six months ended 30 June 2006.

8. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB25,273,000 (six months ended 30 June 2006: RMB38,965,000).

9. TRADE RECEIVABLES

The Group allows an average credit period of two to three months to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Within 3 months	**179,944**	123,644
Over 3 months but not more than 6 months	**4,822**	1,867
	184,766	125,511

10. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Within 3 months	**34,182**	14,216
Over 3 months but not more than 6 months	**64**	33
Over 6 months but not more than 1 year	**59**	61
	34,305	14,310

11. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2007 RMB'000	31 December 2006 RMB'000
Warrants	**20,551**	7,310
Swap derivatives	**93,469**	—
	114,020	7,310

Warrants

As announced by the Company on 9 May 2006, the Company entered into a warrant instrument dated 4 May 2006 (the "Instrument") with an independent subscriber (the "Subscriber"). Pursuant to the Instrument, the Company agreed to issue and the Subscriber agreed to subscribe for the warrants conferring rights to subscribe up to 38,000,000 new ordinary shares of HK$0.10 each in the Company, subject to adjustments, at an initial subscription price of HK$0.88 per share, subject to adjustments, at any time from 21 May 2006 to 18 May 2009, both dates inclusive (the "Warrants").

The initial subscription price per share is HK$0.88 (equivalent to approximately RMB0.857) as at the date of issue of the Warrants until 18 May 2007, and thereafter will be HK$0.88 as adjusted downward by the Company on the first anniversary of the date of issue of the Warrants. The adjusted subscription price will be such price in Hong Kong dollars as equals the market price of shares determined on the first anniversary of the date of issue of the Warrants, but in no case will be less than HK$0.71 (equivalent to approximately RMB0.692).

At 30 June 2007, no Warrants have been exercised since the date of issue and carried at fair value. Exercise in full of such Warrants would result in the issuance of 38,000,000 additional ordinary shares of HK$0.10 each in the Company. During the period, a loss on change in fair value of RMB13,241,000 (six months ended 30 June 2006: a loss on change in fair value RMB2,807,000) was recognised in the income statement.

Swaps derivatives

During the current period, the Group entered into five-year swaps as a part of its financial management strategy. On the effective date of the respective swap, the Group received an upfront payment from the bank, total amounting to HK$78,000,000. Major terms of the swaps derivatives are set out below:

Notional amount	**Maturity**	**Swaps**
HK$390,000,000	28 February 2012	Group pay 9% p.a. and receive (first 6 months: 7.00% p.a., thereafter: 7.00% p.a. x n/m*)
US$50,000,000	23 April 2012	Group pay (first 6 months: 10% p.a., thereafter: 10.00% p.a. - 5 x (Index of YoY return - 1.00%#) Capped at 13% p.a. and floored at 0% p.a.) and receive 8% p.a.

* Where

n: number of business days in the calculation period that HK$ 10-year CMS - HK$ 2-year CMS ≥ 0%

m: total number of business days in the calculation period

"HK$ 10-year CMS" means 10-year HK$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX5 page 11:00 a.m. Hong Kong time fixing on each day in the calculation period.

"HK$ 2-year CMS" means 2-year HK$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX5 page 11:00 a.m. Hong Kong time fixing on each day in the calculation period.

\# Where

Index: Deutsche Bank Pan-Asian Forward Rate Bias Index (AFRB Index) as published on Bloomberg Page BDFRAS13.

Index of YoY Return: Closing level of the Index five Business Days prior the Coupon Payment Date which is two Coupon Payment Periods prior to the relevant Coupon Payment Date-1.

During the current period, a loss on change in fair value of RMB15,469,000 was recognised in the income statement.

Conversion option derivative

During the six months ended 30 June 2006, a loss on change in fair value of RMB7,993,000 arising on a conversion option derivative embedded in convertible notes was recognised in the income statement. The convertible notes were fully converted into the ordinary shares of the Company as at 31 December 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2007, the unaudited turnover of the Group was approximately RMB307.4 million (2006: RMB254.5 million), representing a growth of 20.8% as compared to that of the last corresponding period.

The operating profit for the six months ended 30 June 2007 increased by approximately 18.5% to approximately RMB77.4 million (2006: RMB65.3 million) as compared to that of the last corresponding period. The net profit and net profit margin for the six months ended 30 June 2007 decreased by approximately 19.5% and approximately 5.6% to approximately RMB34.4 million and approximately 11.2% respectively as compared to that of the last corresponding period.

Without taking into account the effect of loss on change in fair values of derivative financial instruments amounted to RMB28.7 million, the net profit for the six months ended 30 June 2007 would increase by approximately 17.9% to approximately RMB63.1 million as compared to that of the last corresponding period.

BUSINESS REVIEW

In the first half of 2007, the Group continued to increase its investment in equipment and production facilities, raising the production capacity of easy-open cans and two-piece cans by 60% and 80% respectively, so as to meet the buoyant market demand and further strengthen its leading position in the metal packaging industry. The Group has also substantially enhanced its competitiveness, production skills and overall strength by implementing aggressive measures such as targeted marketing strategy on VIP customers and effective cost control. The Group's three principal business operations, namely two-piece cans, three-piece cans, lacquering and printing, contributed strongly to the overall growth of our revenues. A detailed analysis is as follows:

1. Continued rising demand underpinned by the expanding food and beverage market in the PRC

The rapid increase of personal income in China has been driving the growth of the food and beverage industry, which has continued in the first quarter of 2007. According to the statistics of the National Bureau of Statistics of China, the annual production volume of the beverage industry maintained a growth rate of over 20% from January to June 2007 as compared to the corresponding period last year. The production volume of soft drinks reached 24.0 million tonnes, representing a 17.2% year-on-year increase and the beverage industry achieved sales revenue of RMB69.3 billion, a 24.0% year-on-year increase. Gross profit margin of the industry as a whole was at 30.7% and the total gross profit reported by the industry was RMB6.7 billion, increased by 38.5% as compared to the corresponding period last year.

In 2007, the canned food industry in the PRC has entered its ninth consecutive year of rapid growth and China has become the world's largest producer of canned fruits by volume and varieties. In 2005 and 2006, the total production volume of canned fruits was over 1.2 million tonne in each year, accounting for one-third of the total production volume of canned food industry in the PRC. The export volume was over 500,000 tonne which translated into RMB350 million of export revenues. In January and February 2007, exports of canned mushroom from Fujian Province increased by 58.7% in volume to 58,300 tonne, and doubled to US$70.7 million in value. Overall, in January to April 2007, production of canned food in the PRC increased by 16.3% year-on-year to 1.35 million tonne in volume while total production value increased by 20.3% to RMB1.26 million.

It is estimated that by year 2010, the total packaging industry output in the PRC will reach RMB450 billion a year and continue to grow at 7% per annum. For the years from 2011 to 2015, the total metal packaging industry output is expected to post an annual growth rate of 16% and exceed RMB600 billion. In year 2015, the production capacity for metal packaging product is expected to reach 4.9 million tonne.

2. Revenues are driven by sales volume expansion across different business segments

a) Two-piece food cans

The Company, as a forerunner in the Chinese food and beverage packaging industry, has been well-positioned to take advantage of its solid experience gained from its early market entry and has been able to develop a market for its two-piece food cans with high technology and advanced elements. Coupled with the great efforts made by the Group in many aspects, in the first half of 2007, the sales of two-piece canned products grew by more than 72% as compared to the corresponding period in 2006, with an increase of five new customers and new orders of more than 10 million cans. Sales activities were extended to five provinces at present, namely Shandong, Tianjin, Jiangsu, Chongqing and Fujian, from originally one single region of Fujian Province.

At present, the Group is the largest two-piece cans supplier in the PRC, both in terms of production capacity and varieties (the types of can shape increased by double as compared to the corresponding period in 2006); and also makes use of the most sophisticated production equipment. In addition, the Group has successfully tackled the difficulties involved in the new technology of "ultra high temperature", helping its customers to bring their products to the new standards of greater safety, environmental friendly, etc. As a result, the Group has secured orders of more than 10 million cans, offering more opportunities for its business growth.

b) **Three-piece beverage cans**

In the first half of the year, sales of three-piece beverage cans grew by 14% as compared to the corresponding period in 2006. Newly placed orders increased by more than 16 million cans and we added about 10 new customers. The business growth was, on the one hand, attributable to the organic growth of sales volume under the favorable environment of substantial growth of high quality customer sources faced by the PRC industry generally. On the other hand, the implementation of an integrated service marketing model emphasizing "all staff participation, comprehensive services, thorough monitor and control" throughout the entire selling process, also helped some of the customers to achieve overseas market development, which in turn drove up sales.

c) **Three-piece food cans**

The adoption of the new environmental friendly printing ink coating technology in food cans may meet customers' demand for high quality such as environmental friendly and safety products contributed to over 28% customer order as compared to the corresponding period in 2006. The increase in orders were more than 12 million cans.

d) **Lacquering and printing**

Subsequent to the equipment renovation made to lacquering and printing production lines, we can now provide high stability of printing precision and accuracy of color control which enhanced the can production business of the Group. The business of external color printing processing also maintained steady growth.

3. **The fast-developing economy of Western China contributed strongly to the business growth**

In 2006, the economy of the entire western part of China reported a growth rate of over 12% which was higher than the average growth rate of 9.9% reported by the country as a whole. The GDP of the western part accounted for 18.5% of the national GDP. The fast-developing western characteristic economy provided a strong boost to the sales of Shanxi Zhanpen, which increased by approximately 11% over the corresponding period. On the one hand, such increase benefited from the organic growth of sales volume of the high quality customer sources, and the increase of five new customers which resulted in new orders of more than 6 million cans. On the other hand, the commencement of operations of a new production plant, the improvement of production equipment and the increase in ancillary facilities enhanced the Company's overall capabilities such as the scale of production and production efficiency. As a result, customers gained more confidence in our products which translated in higher sales.

4. Adoption of effective measures of cost control

The Group has actively taken a number of effective cost control measures: 1) reconfigure production equipment and facilities to enhance utilization rate and improve production yields; 2) stringent control of internal performance and streamlining of management, effective control of production costs and other outgoings expenditures; 3) encouraging the establishment of energy saving and cost reducing consciousness among staff, launching small group creative activities, which resulted in cost reduction of nearly RMB1 million; 4) centralized planning and purchasing of major raw materials, which obtained more favorable prices and resulted in cost reduction.

PROSPECTS

The beverage packaging industry of the PRC is now in a fast growing era. It is expected that demand for beverage products will grow at the rate of at least above 20% in the coming few years. As the Group has already captured a considerable market share within the packaging industry, it is expected to benefit from the significant growth of the industry. In the second half of the year, with the support of the rapid growth of the domestic beverage industry, the Group will take a series of strategic measures, such as the expansion of production capacity of new products, the increase in can shapes and the establishment of two new branch factories in order to explore more opportunities for future profit growth. The analysis of which is summarized as follows:

1. Expansion of production capacity to gain market share

a) Introduction of high speed state-of-the-art production equipment

The Group will invest US$15 million to expand production plants in Fuqing and Shanxi. It will also enter into an agreement with Switzerland Soudronic Limited for the acquisition of two high speed production lines for beverage cans which can produce up to 650 cans per minute, and each of the production lines will be installed in the production bases in Fuqing and Shanxi respectively. Soudronic is a world-class manufacturer of beverage cans equipped with the most sophisticated production lines. The newly acquired equipment is so far the highest speed, the best performance and the most stable production line for beverage cans in the PRC. The equipment is scheduled to be delivered by the end of this year and it is expected to commence operation in the first half of 2008. The Group is expected to grow remarkably when the new production lines commence operation.

b) Expansion of existing scale of production

The Group is currently dealing with the procedures for its proposed land acquisition in two of its production bases, Fuqing Xia Cao and Shanxi Fenyang. All the relevant approval procedures are expected to be completed during this year.

2. Actively develop two-piece food cans with good market potential

The Group acquired a set of production equipment and several new can shape moulds for two-piece food cans in March 2007. The equipment and the moulds were delivered to the factory in late June 2007 and will be in operation in the second half of this year. The Group believed that its market leader position in the production of two-piece cans will be further strengthened. The new can shape is jointly researched and designed by the Group's in-house technicians and the suppliers. The sophistication lies in the simplification from the original two processes of shear-wave and deep-drawing into one single process. This production line not only shortens the processing time by 20%, but also improves the process of iron rolling, greatly reduces corner residual materials produced during the process, thus saving about 5% of materials. The specification of product techniques index suits the requirements of foreign customers. The new can shape is the latest so far in the international canned food market and the production of new products will enable us to capitalize on opportunities. The market demand is estimated to be 500 million cans per year. The Group has reached preliminary purchase agreement with its long term customers, and up to the end of this year, the new orders to be placed are approximately 20 million cans. When the project is launched, the market share of the Group will increase steadily and hence increase its profitability. Also, the composition of the customer base will be enhanced, and there will be a promising growth of the Group's overall results.

3. Investment in new can shape for the development of new markets

The production facilities of the new can shape #113 for three-piece easy-open cans purchased by the Group from Taiwan Shin-I Machinery Works Co., Ltd. had been delivered to the plant. The unique neckdown design of the can shape reduces the neck size of the can mouth, so that the cost of the easy-open lids may be lower while the profit margin of the product may increase. Also, this can shape is mainly designed to satisfy the increasing demand of customers for natural, low sugar and healthy beverage, such as natural aloe juice. The fast-developing momentum of new kinds of beverage will facilitate the marketing of packaging products. When the new can shape is put into production in the second half of the year, the number of new orders is expected to increase considerably.

4. Business expansion in various regions brings continuous impetus to the future growth of the Group

a) Establishment of Chengdu Branch

The city of Chengdu is a trade and financial centre of Southwest China. It integrates the all-round strengths of the West and is easily-accessible. It is commercially well-developed and has moderate climate, well-established ancillary facilities, and its competitive advantages are unparalleled to any other western cities of China. Renowned brands of food and beverage such as Lebaishi, Jianlibao, Wanglaoji and Daliyuan have already set up their plants in Chengdu. Over a thousand of beverage manufacturing enterprises are operating in the local and peripheral areas of Chengdu. At present, manufactures of three-piece easy-open cans operating in Chengdu are small-sized and only a few achieve an annual production output of over a hundred million units.

To position for future growth of the Group and establish a foothold in the Southwest, the Group has reached an agreement with a metal color printing products company on the lease of plant and equipment and intends to set up a branch company in Chengdu. In the inception of the lease, the Group will first invest in two production lines of three-piece easy-open cans, which are expected to be in operation in the first half of 2008. Meanwhile, the Group has over 200 high quality customers and established strategic cooperation with them. Given the development strategy in the southwest, the Group may cooperate with them for mutual benefits and as a preliminary source of customers in the new region. The establishment of our new production base in Chengdu represents a quantum leap in our Group's expansion. This project will lead to a solid progress in the overall strategy of future development of the Group.

The Group intends to acquire a piece of land of 30 mu adjacent to the leased plant in Chengdu in the first half of 2008. The new operation is expected to enlarge the scale of the Chengdu production base by two times, bringing exciting growth for the Group.

b) Establishment of Shenzhen Branch

A branch company will be established in Shenzhen in late September 2007. The Group has signed a plant leasing agreement with a food products company in Shenzhen, and purchased one production line of three-piece easy-open cans and two production lines of easy-open can lids in September 2007. The production lines of easy-open cans are mainly to cater for the needs of the food products company as well as beverage manufacturers operating in the peripheral of Guangdong Province. The Shenzhen branch provides specialized can production services to its partner so as to achieve a win-win situation for both parties in the form of business enhancement. It is expected to increase sales revenue of the Group by approximately 30%. The two production lines of aluminum easy-open can lids can essentially meet the demand of the Group and are scheduled to be in operation by the end of this year. These production lines are ranked among the top list of the kind in the country, both in terms of performance and production capacity, which can reach 2,000 units per min. The equipment will change the long-established situation of the Group's heavy reliance on outsourcing when it is put into operation, and will have positive effects of optimizing and perfecting the production chain of the Group and enabling the principal business of the Group to advance to a new stage of development.

The above significant measures enable the Group to further enlarge and improve our customers coverage and form a nationwide business comprising a number of production bases in various strategic locations, which can bring considerable sales revenue and profit growth in future.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations by internally generated cashflows and banking facilities provided by its bankers.

As at 30 June 2007, the Group had cash and cash equivalents of approximately RMB523.5 million (31 December 2006: RMB393.3 million) and had total borrowings of approximately RMB86 million (31 December 2006: RMB97.4 million). Where, RMB36 million were fixed rate debts with interest rate at 5.85% per annum and the remaining RMB50 million of bank loan was subject to floating rate ranging from 2% to 2.75% over HIBOR (2006: 2% to 2.75% over HIBOR) per annum and 1.75% over LIBOR (2006: 1.75% over LIBOR) per annum. As at 30 June 2007, all loans are repayable in instalments within one year. All of the aforementioned bank loans were guaranteed by either corporate guarantees, pledged bank deposit from the Company or pledged bank deposit given by a director of the Company.

The Group's current ratio (current assets to current liabilities) was approximately 2.6 (31 December 2006: 3.2) and the Group's gearing ratio (total interest-bearing borrowings to total assets) was approximately 8.7% (31 December 2006: 12.9%).

Since the Group's transactions are mostly settled in Hong Kong dollars and Renminbi, the exposure to foreign exchange fluctuations is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

CAPITAL STRUCTURE

On 26 June 2007, the Company has completed the top-up placing of 60,000,000 new ordinary shares to raise the net proceeds approximately HK$87 million. The net proceeds as to approximately 50% for future acquisition opportunities to expand the Group's business and as to the balance as general working capital of the Group.

In addition, a total of 26,730,000 ordinary shares were issued upon exercise of share options by the option holders of the Company during the six months ended 30 June 2007.

As a result, the total number of issued share capital was 583,491,081 ordinary shares as at 30 June 2007.

PLEDGE OF ASSETS

As at 30 June 2007, bank deposit of approximately RMB17.8 million (31 December 2006: RMB21.7 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.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2007, the Group did not have any significant investment.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2007, the Group had capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately RMB61 million (31 December 2006: RMB3.8 million).

SEGMENT INFORMATION

Segment information of the Group is set out in note 3 to the condensed consolidated financial statements.

MATERIAL ACQUISITIONS/DISPOSALS

During the six months ended 30 June 2007, the Group made no material acquisition and disposal of subsidiaries and associated companies.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group had 450 employees (31 December 2006: 445 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 six months ended 30 June 2007, the total staff costs (including Directors' emoluments) amounted to approximately RMB5.1 million (2006: RMB4.7 million).

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2007, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

MODEL CODE

The Company has adopted the model code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry to all Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied throughout the six months ended 30 June 2007 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, 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 the code provisions had been stated in the Company's 2006 Annual Report.

REMUNERATION COMMITTEE

The remuneration committee was established on 21 September 2005 with written terms of reference. The remuneration committee consists of three independent non-executive directors, namely Mr. Tong Hing Wah, Mr. Chong Hoi Fung and Mr. Ng Wai Man, is responsible for reviewing and evaluating the remuneration polices of directors and senior management and making recommendations to the Board from time to time.

AUDIT COMMITTEE

The Audit Committee consists of three 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 unaudited interim results for the six months ended 30 June 2007.

The written terms of reference of the audit committee was revised on 21 September 2005 to ensure compliance with the CG Code.

As at this date of announcement, the Board comprises 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, 19 September 2007