CHINA ELECTRONICS CORPORATION HOLDINGS COMPANY LIMITED

中國電子集團控股有限公司*

(Incorporated in the Cayman Islands and continued in Bermuda with limited liability)

(Stock Code: 00085)

ANNUAL RESULTS

FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the "Board") of China Electronics Corporation Holdings Company Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2007.

AUDITED CONSOLIDATED INCOME STATEMENT

For the year ended 31 December

	2007 *HK$'000*	2006 *HK$'000*
Revenue	**3,167,708**	3,549,329
Cost of sales	**(2,608,047)**	(3,317,032)
Gross profit	**559,661**	232,297
Other gain - net	**9,699**	5,130
Selling and marketing costs	**(259,104)**	(42,457)
Administrative expenses	**(331,740)**	(125,118)
Operating (loss) / profit	**(21,484)**	69,852
Finance income	**11,442**	8,109
Finance costs	**(9,075)**	(6,444)
Finance income - net	**2,367**	1,665
(Loss) / profit before income tax	**(19,117)**	**71,517**
Income tax credit / (expense)	**31,640**	(2,358)
Profit for the year	**12,523**	69,159
Attributable to:		
- Equity holders of the Company	**8,074**	43,276
- Minority interests	**4,449**	25,883
	12,523	69,159
Earnings per share for profit attributable to the equity holders of the Company during the year		
- basic	**HK cents 0.75**	HK cents 3.99
- diluted	**HK cents 0.74**	HK cents 3.99
Dividends	**-**	17,337

AUDITED CONSOLIDATED BALANCE SHEET
As at 31 December

	2007 HK$'000	2006 HK$'000
ASSETS		
Non-current assets		
Property, plant and equipment	**41,047**	61,685
Intangible assets	**16,144**	16,251
Deferred income tax assets	**46,691**	8,916
	103,882	86,852
Current assets		
Inventories	**444,189**	335,802
Trade and other receivables	**877,150**	493,179
Cash and cash equivalents	**391,741**	419,809
	1,713,080	1,248,790
Total assets	**1,816,962**	1,335,642
EQUITY		
Capital and reserves attributable to the Company's equity holders		
Issued equity	**370,074**	370,074
Other reserves	**71,807**	55,137
Retained earnings		
- Proposed final dividend	**-**	17,337
- Unappropriated retained earnings	**29,889**	21,815
	471,770	464,363
Minority interests in equity	**129,066**	138,775
Total equity	**600,836**	603,138
LIABILITIES		
Current liabilities		
Trade and other payables	**741,030**	717,826
Current income tax liabilities	**3,725**	2,044
Short term bank loans	**394,111**	-
Provision for warranty	**77,260**	12,634
Total liabilities	**1,216,126**	732,504
Total equity and liabilities	**1,816,962**	1,335,642
Net current assets	**496,954**	516,286
Total assets less current liabilities	**600,836**	603,138

BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

(a) Standards, amendment and interpretations effective in 2007

HKFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to HKAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Group's financial instruments, or the disclosures relating to taxation and trade and other payables.

HK(IFRIC) - Int 8, 'Scope of HKFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of HKFRS 2. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) - Int 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This standard does not have any impact on the Group's financial statements.

HK(IFRIC) - Int 7, 'Applying the restatement approach under HKAS 29, Financial reporting in hyper-inflationary economies' and HK(IFRIC) – Int 9, 'Re-assessment of embedded derivatives'. These standards are not relevant to the Group's operations.

(b) Standards, amendments and interpretations to existing standards that are not yet effective

The following standards, amendments and interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 March 2007 or later periods, and the Group has not early adopted them:

HKAS 1 (Revised), "Presentation of Financial Statements" (effective from 1 January 2009). The revised standard requires presentational changes and further disclosures in the financial statements but does not change the recognition and measurement of specific transactions. The directors of the Group are assessing the impact and believe that the impact on the Group's consolidated financial statements is not significant.

HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Amended) from 1 January 2009 but is not expected to have material impact on the Group's consolidated financial statements.

HKFRS 8, 'Operating segments ' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 from 1 January 2009. The expected impact is still being assessed in detail by management, but it appears likely that the number of reportable segments, as well as the manner in which the segments are reported, will change in a manner that is consistent with the internal reporting provided to the chief operating decision-maker.

HK(IFRIC) - Int 11, 'HKFRS 2 – Group and treasury share transactions', (effective from 1 March 2007). HK(IFRIC) - Int 11 provides guidance on whether share-based transactions involving treasury shares or involving Group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the Group's consolidated financial statements.

HK(IFRIC) - Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). HK(IFRIC) - Int 14 provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. The Group will apply HK(IFRIC) - Int 14 from 1 January 2008, but it is not expected to have any impact on the Group's financial statements.

HK(IFRIC) - Int 12, 'Service concession arrangements' (effective from 1 January 2008). HK(IFRIC) - Int 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. HK(IFRIC) - Int 12 is not relevant to the Group's operations because none of the Group's companies provide for public sector services.

HK(IFRIC) - Int 13, 'Customer loyalty programmes' (effective from 1 July 2008). HK(IRFIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) - Int 13 is not relevant to the Group's operations because none of the Group's companies operate any loyalty programmes.

HKAS 27 (Revised) ‘Consolidated and Separate Financial Statements’ (effective from annual period beginning on or after 1 July 2009). The amendment requires non-controlling interests (i.e. minority interests) to be presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. Total comprehensive income must be attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. Changes in a parent’s ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity. When control of a subsidiary is lost, the assets and liabilities and related equity components of the former subsidiary are derecognised. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at its fair value at the date when control is lost. The Group will apply HKAS 27 (Revised) from 1 January 2010.

HKFRS 3 (Revised) ‘Business Combination’ (effective for business combinations with acquisition date on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The amendment may bring more transactions into acquisition accounting as combinations by contract alone and combinations of mutual entities are brought into the scope of the standard and the definition of a business has been amended slightly. It now states that the elements are ‘capable of being conducted’ rather than ‘are conducted and managed’. It requires considerations (including contingent consideration), each identifiable asset and liability to be measured at its acquisition-date fair value, except leases and insurance contracts, reacquired right, indemnification assets as well as some assets and liabilities required to be measured in accordance with other HKFRSs. They are income taxes, employee benefits, share-based payment and non current assets held for sale and discontinued operations. Any non-controlling interest in an acquiree is measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net identifiable assets. The Group will apply HKFRS 3 (Revised) from 1 January 2010.

HKFRS 2 Amendment ‘Share-based Payment Vesting Conditions and Cancellations’ (effective from 1 January 2009). The amendment clarifies the definition of ‘vesting conditions’ and specifies the accounting treatment of "cancellations" by the counterparty to a share-based payment arrangement. Vesting conditions are service conditions (which require a counterparty to complete a specified period of service) and performance conditions (which require a specified period of service and specified performance targets to be met) only. All ‘non-vesting conditions’ and vesting conditions that are market conditions shall be taken into account when estimating the fair value of the equity instruments granted. All cancellations are accounted for as an acceleration of vesting and the amount that would otherwise have been recognised over the remainder of the vesting period is recognised immediately. The Group will apply HKFRS 2 Amendment from 1 January 2009, but it is not expected to have any impact on the Group's financial statements.

SEGMENT INFORMATION

The Group is principally engaged in manufacturing and sale of mobile handsets and other portable electronics products.

	"Philips" mobile handsets		Own branded and other mobile handsets		Multimedia players		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Turnover	1,944,582	2,586,710	535,309	654,053	687,817	308,566	3,167,708	3,549,329
Segment results	168,719	132,765	36,400	82,320	28,717	17,212	233,836	232,297
Other gains, net							9,699	5,130
Unallocated costs							(265,019)	(167,575)
Operating (loss)/profit							(21,484)	69,852
Finance income – net							2,367	1,665
(Loss) / profit before income tax							(19,117)	71,517
Income tax credit / (expense)							31,640	(2,358)
Profit for the year							12,523	69,159
Segment assets	698,636	358,700	56,748	118,693	139,481	38,040	894,865	515,433
Unallocated assets							922,097	820,209
Total assets							1,816,962	1,335,642
Segment liabilities	227,045	371,762	8,243	170,488	3,378	48,983	238,666	591,233
Unallocated liabilities							977,460	141,271
Total liabilities							1,216,126	732,504
Capital expenditures							19,931	32,260
Depreciation/ amortisation charge							44,240	49,646
Impairment charge / (reversal)							28,174	(4,952)

The Group's three business segments operate in five main geographical areas - Mainland China, Europe, Asia (excluding Mainland China and Hong Kong), Hong Kong and North America. The segment sales based on the geographical location of its customers are presented below:

	Sales	
	2007	2006
	HK$'000	HK$'000
Mainland China	**1,243,354**	1,676,916
Europe	**630,047**	6,540
Asia (excluding Mainland China and Hong Kong)	**228,762**	1,030,871
Hong Kong	**1,041,209**	835,002
North America	**24,336**	-
	3,167,708	3,549,329

No segment assets and liabilities are presented as over 90% of the Group's assets are located in Mainland China.

OTHER GAINS - NET

	2007	**2006**
	HK$'000	HK$'000
Sales of samples and materials	1,633	5,355
Written off of payables	7,504	-
Others	562	(225)
	9,699	5,130

EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2007	*2006*
	HK$'000	HK$'000
Depreciation and amortisation expenses	**44,240**	49,646
Employee benefits expenses	**173,221**	149,056
Changes in inventories of finished goods and work in progress	**(91,023)**	61,363
Raw material and consumables used	**2,491,099**	3,065,667
Impairment provision for receivables	**266**	-
Written down/(reversal) of inventories to net realisable value	**27,908**	(4,952)
Provision for warranty	**64,437**	21,089
Operating lease expenses on property and machinery	**25,791**	14,860
Research and development costs	**49,071**	34,667
Auditors' remuneration	**1,890**	1,247

FINANCE INCOME — NET

	2007	2006
	HK$'000	*HK$'000*
Interest income on short-term deposits	**11,442**	8,109
Interest on bank loans	**(9,075)**	(6,444)
Net finance income	**2,367**	1,665

INCOME TAX (CREDIT) / EXPENSE

	2007	2006
	HK$'000	*HK$'000*
Current taxation – PRC enterprise income tax *(Note (b))*	**6,135**	6,760
Deferred income tax *(Note (c))*	**(37,775)**	(4,402)
	(31,640)	2,358

(a) No provision for Hong Kong profits tax has been made as the Group has no assessable profit for the year ended 31 December 2007 (2006: nil).

(b) The principal subsidiary, Shenzhen Sang Fei Consumer Communications Company Limited ("Sang Fei"), is a foreign investment production enterprise established in Shenzhen Special Economic Zone in the People's Republic of China ("PRC"), the prevailing enterprise income tax rate is 15%. As approved by the tax authorities in 1998, Sang Fei is entitled to exemption from income taxes for two years followed by a 50% tax reduction for three years, commencing from the year ended 31 December 2000, the first cumulative profit-making year net of losses carried forward. Accordingly, the tax holiday ended at 31 December 2004.

Sang Fei was certified as a high-tech enterprise from 2002 and as approved by the tax authorities in 2004, Sang Fei is entitled to 50% tax reduction from enterprise income tax for further three years starting from 2005. Consequently, enterprise income tax have been provided at the rate of 7.5% for the year ended 31 December 2007 (2006: 7.5%). Such tax reduction ended at 31 December 2007.

(c) On 16 March 2007, the Corporate Income Tax Law of the PRC (the "new CIT Law") was approved and became effective 1 January 2008. In accordance with the new CIT law, Sang Fei's applicable tax rate will be changed to 25% with a transitional period of 5 years from 2008 in which the tax rate will be changed to 18%, 20%, 22%, 24% and 25% for the five years from 2008 to 2012 respectively. In this regard, the new applicable tax rates are adopted in computing the deferred taxation as at 31 December 2007 (31 December 2006: 7.5%). The change of tax rates resulted a tax credit of HK$28,768,000 in 2007.

EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of the basic earnings per share is based on the Group's profit attributable to equity holders of the Company for the year ended 31 December 2007 of HK$8,074,000 (2006: HK$43,276,000) and the 1,083,560,000 (2006: 1,083,560,000) ordinary shares in issue during the year.

(b) Diluted earnings per share

Diluted earnings per share for the year ended 31 December 2007 is calculated by adjusting the number of 1,083,560,000 ordinary shares by adding 6,405,096 to assume conversion of all dilutive potential ordinary shares granted under the share option scheme of the Company. A calculation is done to determine the number of shares that could have been acquired at fair value (determine as the average market price during the year) based on the monetary value of subscription rights attached to outstanding share options as following:

Profit attributable to equity holders of the Company (HK$)	8,074,000
Weighted average shares outstanding	1,083,560,000
Weighted average shares under Share Option Scheme	15,712,500
Weighted average number of shares that would have been issued at average market price	(9,307,404)
Weighted average number of ordinary shares in issue on fully diluted basis	1,089,965,096
Diluted earnings per share (HK$)	0.0074

For the year ended 31 December 2006, potential diluted ordinary shares were not included in the calculation of diluted earnings per share because they were anti-dilutive.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2007 (2006: HK$0.016 per share).

TRADE RECEIVABLES

The majority of the Group's sales are on letter of credit or documents against payment. The remaining amounts are with credit term of 30 to 60 days. At 31 December 2007, the ageing analysis of the Group's gross trade receivables was as follows:

Ageing	**2007**	2006
	HK$'000	HK$'000
Current to 30 days	**734,238**	410,109
31 - 60 days	**12,151**	2,561
Over 60 days and within 1 year	**8,324**	1,725
Over 1 year	**761**	1,537
	755,474	415,932

TRADE PAYABLES

At 31 December 2007, the ageing analysis of the Group's trade payables was as follows:

Ageing	**2007**	2006
	HK$'000	HK$'000
Current to 30 days	**367,655**	487,812
31 - 60 days	**474**	14
Over 60 days	**13,468**	23,646
	381,597	511,472

BUSINESS REVIEW

The mobile handset business environment remained tough during the year. Fierce competition and ever-advancing technologies forced the industry players to actively undergo business reorganisation so as to maintain their competitive advantages and market position. In late 2006, the Philips Group, one of the major OEM/ODM customers of the Group, announced its intention to dispose of its mobile handset business. Since then, the Philips Group carried out a series of operational restructuring which imposed an adverse impact on the sales performance of the *"Philips"* mobile handset business. Despite the difficult operating environment during this transitional period, the Group endeavoured dedicated efforts to work actively with the Philips Group and China Electronics Corporation ("CEC", together with its subsidiaries, collectively the "CEC Group") to streamline the handover of the *"Philips"* mobile handset business. Major turnarounds to the overall business were achieved since August 2007 whereby series of new products were launched and deferred sales orders were substantially caught up by end of the year.

During the year under review, sales of *"Philips"* mobile handset had substantially reduced as a result of deferred sales orders and postponement of new products launch during the disposal of the mobile handset business by the Philips Group. Sales of *"Philips"* mobile handsets were dropped by 20% to 3.7 million units. At the same time, sales of own-branded and other OEM mobile handsets also reduced to 2 million units as the Group had placed primary focus on the alignment of the *"Philips"* mobile handsets business with an aim to keeping the operation on track. Sales of mobile handsets had in total dropped by 24% to 5.7 million units. On the other hand, the portable media player business continued to perform well. The Group in total sold 2.8 million units of portable media players in 2007, representing more than triple the sales last year. The overall sales of mobile handsets and portable media players were in line with previous year at 8.5 million units. However, as the mobile handsets sold during the first half of the year were primarily old models which had lower sales value, total revenue for the year were downed by 11% to HK$3,167.7 million. Despite the reduction in sales revenue, the Group's new mobile handset business model brought significant improvement to the overall gross profit margin of the Group. In addition to the encouraging growth in the portable media player business, gross profit during the year under review was HK$559.7 million, representing an increase of 1.4 times over last year.

During the year, the Group incurred selling and marketing costs of HK$259.1 million and administrative expenses of HK$331.7 million, representing an increase of 5.1 times and 1.7 times over last year respectively. Since the Philips Group announced its intention to dispose of its mobile handset business, the Group implemented various measures and put in additional resources for adopting the new business model. New functional units including the Mould and Tooling Centre, Product Research and Development Centre and the Logistics Centre were set up in 2006 to support the manufacturing chain. In 2007, the Group placed special emphasis in the product development function which effectively enhanced quality control and product reliability. Moreover, tremendous amount of resources were invested by the Group in the sales and distribution functions in both PRC and overseas markets so as to reactivate the market channels as well as to cope with the additional sales activities of the new business. The expansions in the Group's business area and its functional units not only effectively brought the *"Philips"* mobile handset business back on the right track, streamlined the Group's operation flow and enhanced the business efficiency through economies of scale, they also enable the Group to establish a complete value chain in mobile handset manufacturing which extends the operation of the Group to a comprehensive scope. The increase in selling and marketing costs and administrative expenses in 2007 represented the additional investments placed by the Group in these functional units during the year.

For the year ended 31 December 2007, the Group recorded a loss before income tax of HK$19.1 million (2006: profit HK$71.5 million). After taking into account the tax adjustments, the profit attributable to equity holders for the year was HK$8.1 million (2006: HK$43.3 million), and basic earnings per share was HK0.75 cents (2006: HK3.99 cents).

OUTLOOK

In 2007, CEC acquired the mobile handset business of the Philips Group. After then, the Group, through its principal operating subsidiary – Shenzhen Sang Fei Consumer Communications Company Limited, acquired from the Philips Group and the CEC Group respectively the exclusive licence right to use the *"Philips"* and *"Xenium"* trademarks in the mobile handset business and extended its business profile from downstream of the industry value chain in the past to the upstream area. Such collaboration not only promotes the value of the Group's mobile handset business, it also sets a solid foundation for transforming the Group from an OEM manufacturer to a complete business solution provider in the long run.

The global information technology industry tends to focus on the advancement and development of their core technologies and businesses, and new investments were largely emphasised in the upstream and downstream of the industry value chain. Currently, the profession is optimistic but prudent about the global information technology product market in 2008, and is in general positive towards the forthcoming development of smart mobile handsets, semi-conductor and software service sectors. The Group will seize the opportunities arising from the business restructuring in the global information technology industry: on one hand to continue the business development in its existing mobile handset operation, and at the same time to explore new businesses at the upstream of the industry value chain through merger and acquisition.

CEC is one of the core enterprises in the information technology industry in China, and possesses leading competitiveness in sectors like mobile communications equipment, semi-conductor, key components and software and is a leading service provider. In the new year ahead, the Group will further leverage the competitive advantages of CEC and will proactively enhance its business structure and intensify its capital market operation. The ultimate objective is to advance its core technology from low end to mid-to-high end steam and to promote its core business to the upstream of the industry value chain, and bring the best return to our shareholders.

CAPITAL RESOURCES AND LIQUIDITY

The Group finances its operations primarily by internal resources and short term bank borrowings. As at 31 December 2007, the Group had cash and cash equivalents amounted to HK$391.7 million (2006: HK$419.8 million) which were primarily denominated in Hong Kong dollars, Renminbi and United States dollars.

As at 31 December 2007, the Group had outstanding short term bank borrowings of HK$394.1 million (2006: nil). The total bank facilities available to the Group were RMB 800 million. The Group did not have any pledged assets or guarantee as at 31 December 2007 (2006: nil).

CONTINGENT LIABILITIES AND CAPITAL COMMITMENT

As at 31 December 2007, the Group had contracted but not provided for capital commitment of HK$2.5 million (2006: HK$ 1.3 million) for the acquisition of fixed assets and intangible assets. The Group did not have any material contingent liabilities outstanding as at 31 December 2007 (2006: nil).

EMPLOYEE AND REMUNERATION POLICIES

As at 31 December 2007, the Group had approximately 2,400 employees (2006: 2,850 employees), the majority of whom were based in China. Personnel expenses during the year were HK$173.2 million (2006: HK$149.1 million).

The Group recognises the importance of high calibre and competent staff and has a strict recruitment policy and performance appraisal scheme. Remuneration packages are largely in line with industry practices, and are formulated on the basis of performance and experience and will be reviewed regularly. Bonus and other merit payments are linked with the performance of the Group and of the individuals as incentive to optimise performance. The Company has in place a share option scheme, pursuant to which share options may be granted to selected personnel of the Group, with a view to encouraging employees to work towards enhancing the value of the Group.

AUDIT COMMITTEE

The audit committee examined the accounting principles and practices adopted by the Group and discussed with the management its internal controls and accounts. The audit committee has reviewed the audited financial statements of the Group for the year ended 31 December 2007.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares and the Company has not redeemed any of the Company's shares during the year ended 31 December 2007.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2007 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS

The 2007 annual report will be published on the website of the Company and that of The Stock Exchange of Hong Kong Limited in due course.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank all our staff members for their contribution and effort in the past year, and to express our most sincere gratitude to our shareholders and business partners for their continued cooperation and support.

By Order of the Board
Xiong Qunli
Chairman

Hong Kong, 25 April 2008

As at the date of this announcement, the Board comprises two non-executive directors, namely Messrs. Xiong Qunli (Chairman) and Tong Baoan (Vice Chairman), two executive directors, namely Messrs. Fan Qingwu (Managing Director) and Hua Longxing, and three independent non-executive directors, namely Messrs. Chan Kay Cheung, Wong Po Yan and Yin Yongli.

* *For identification purposes only*