Tiande Chemical Holdings Limited
天德化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 609)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2008

RESULTS HIGHLIGHTS

- Turnover increased by 26.3% to approximately RMB725.2 million (2007: RMB574.3 million).
- Gross profit increased by 43.7% to approximately RMB99.1 million (2007: RMB69.0 million).
- Gross profit margin reached 13.7%, representing an increase of 1.7% (2007: 12.0%).
- Profit for the year ended 31 December 2008 (excluding the one-off provision[1]) increased by 31.4% to approximately RMB28.3 million (2007: RMB21.6 million).
- Profit for the year ended 31 December 2008 (including the one-off provision[1]) increased by 15.6% to approximately RMB24.9 million (2007: RMB21.6 million).
- EBITDA[2] goes up 37.1% to approximately RMB74.5 million (2007: RMB54.3 million).
- Basic and diluted earnings per share increased to approximately RMB6.2 cents (2007: RMB5.4 cents).
- In view of the Group's positive results performance, the Directors recommend a final dividend in respect of the year ended 31 December 2008 of HK$1.25 cents (2007: HK$1.25 cents) which is subject to the shareholders' approval at the forthcoming annual general meeting to be held on 8 May 2009.

[1] The nature of the one-off provision, please refer to the Business Review section for details.
[2] Earnings before interest, taxation, depreciation and amortization.

The board (the "Board") of directors (the "Directors") of Tiande Chemical Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2008 together with the comparative figures for the corresponding period in 2007 with the selected notes as follows:

CONSOLIDATED INCOME STATEMENT

		FOR THE YEAR ENDED 31 DECEMBER	
		2008	2007
	Notes	**RMB'000**	RMB'000
Turnover	3	**725,199**	574,298
Cost of sales		**(626,076)**	(505,315)
Gross profit		**99,123**	68,983
Other income		**4,579**	3,999
Selling expenses		**(27,827)**	(19,099)
Administrative expenses		**(31,398)**	(27,411)
Other operating expenses		**(5,190)**	-
Change in fair value of investment properties		**660**	1,900
Finance costs		**(13,380)**	(5,232)
Profit before tax		**26,567**	23,140
Income tax expense	4	**(1,642)**	(1,586)
Profit for the year	5	**24,925**	21,554
Dividends per share	6	**HKD1.25 cents**	HKD1.25 cents
Earnings per share	7		
- basic		**RMB0.062**	RMB0.054
- diluted		**N/A**	**N/A**

CONSOLIDATED BALANCE SHEET

	Notes	AS AT 31 DECEMBER 2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment		**366,755**	369,684
Prepaid land lease payments		**63,371**	66,457
Investment properties		**10,360**	9,700
Deposits paid for acquisition of property, plant and equipment		**20,571**	6,494
Deferred tax assets		**826**	669
		461,883	453,004
Current assets			
Inventories		**39,960**	53,172
Trade and bills receivable	8	**97,477**	207,174
Prepayments and other receivables		**8,079**	9,502
Current tax assets		**1,963**	-
Pledged bank deposits		**10,000**	16,400
Bank and cash balances		**21,363**	29,207
		178,842	315,455
Current liabilities			
Trade and bills payable	9	**47,952**	164,158
Accurals and other payables		**57,621**	90,691
Due to a related company		**-**	39
Bank borrowings		**110,054**	82,557
Current tax liabilities		**639**	304
		216,266	337,749
Net current liabilities		**(37,424)**	(22,294)
Total assets less current liabilities		**424,459**	430,710
Non-current liabilities			
Bank borrowings		**49,560**	75,200
Deferred income		**24,152**	26,892
Deferred tax liabilities		**1,816**	1,600
		75,528	103,692
NET ASSETS		**348,931**	327,018
Capital and reserves			
Share capital		**4,031**	4,031
Reserves		**344,900**	322,987
TOTAL EQUITY		**348,931**	327,018

SELECTED NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The Group had net current liabilities of approximately RMB37,424,000 as at 31 December 2008. The Directors consider that the current available banking facilities, internal financial resources and their best estimation of the business operation results of the Group are sufficient to finance the working capital requirements of the Group. Hence, the financial statements have been prepared on a going concern basis.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at their fair values.

The preparation of financial statements in conformity with HKFRSs requires the use of certain key assumptions and estimates. It also requires the Directors to exercise its judgements in the process of applying the accounting policies.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs issued by Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. HKFRSs comprise Hong Kong Financial Reporting Standards; Hong Kong Accounting Standards; and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in position to state whether these new HKFRSs would have a material impact on its results of financial position.

3. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

The Group's turnover represents the amounts received and receivables for goods sold during the year under reivew.

(b) Geographical segments

Segment information regarding the Group's turnover by location of customers, irrespective of the origin of the services, is presented below:

	FOR THE YEAR ENDED 31 DECEMBER	
	2008	2007
	RMB'000	RMB'000
Turnover		
People's Republic of China ("PRC")	**581,421**	451,699
Taiwan	**27,335**	38,304
India	**32,281**	21,185
Ireland	**16,454**	729
United Kingdom	**14,862**	18,688
Others	**52,846**	43,693
	725,199	574,298
Segment results		
PRC	**74,430**	49,178
Taiwan	**3,402**	4,208
India	**5,500**	4,322
Ireland	**3,083**	408
United Kingdom	**1,047**	1,840
Others	**8,492**	6,021
	95,954	65,977
Unallocated corporate income	**5,238**	4,705
Unallocated corporate expenses	**(61,245)**	(42,310)
Finance costs	**(13,380)**	(5,232)
Profit before tax	**26,567**	23,140
Income tax expense	**(1,642)**	(1,586)
Profit for the year	**24,925**	21,554

No geographical segment information for segment assets and liabilities are disclosed as assets and liabilities of the Group are substantially located in the PRC.

(c) Business segments

The Group's turnover and profit for the year under review are entirely derived from the manufacture and trading of fine chemical products. The Directors consider that these activities constitute one business segment since these activities are related and are subject to common risks and returns.

4. INCOME TAX EXPENSE

	FOR THE YEAR ENDED 31 DECEMBER	
	2008	2007
	RMB'000	RMB'000
Current tax - PRC Enterprise Income Tax	**1,583**	865
Deferred tax	**59**	721
	1,642	1,586

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

PRC Enterprise Income Tax on the assessable profits of Weifang Common Chem Co., Ltd. 濰坊同業化學有限公司 ("Weifang Common") and Shanghai Dehong Chemical Company Limited上海德弘化工有限公司 ("Shanghai Dehong") were charged at the preferential rate of 12% and 15% respectively in the year 2007.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Tax Law") by Order No. 63 of the President of the PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Tax Law. The applicable income tax rate under the New Tax Law and Implementation Regulations was changed to 25% (before any preferential concession) starting from 1 January 2008.

Weifang Common, as an advance technology enterprise, was granted a tax concession for the year 2008 at a preferential rate of 12.5% pursuant to the old Income Tax Law of the PRC on Enterprises with Foreign Investment and Foreign Enterprises, which provides that enterprise engaging in advance technology business was entitled to 50% reduction of the applicable tax rate.

Shanghai Dehong is subject to Enterprise Income Tax at the rate of 18% for the year 2008, being the preferential tax rate in Shanghai Pudong New District.

Pursuant to the relevant laws and regulations in the PRC, Weifang Parasia Chem Co., Ltd. 濰坊柏立化學有限公司 ("Weifang Parasia") and Weifang Binhai Petro-Chem Co., Ltd. 濰坊濱海石油化工有限公司 ("Weifang Binhai") are eligible for certain tax holidays and concessions in the PRC. The tax holiday and concessions are in the form of two years tax exemption from the first profitable year, followed by a 50% reduction of the applicable tax rate in the following three years. No provision for PRC Enterprise Income Tax has been provided for Weifang Parasia in the year 2007 as it was the second profitable year and the preferential rate of 12.5% is applied for the year 2008 as that is the third profitable year. No provision for PRC Enterprise Income Tax has been provided for Weifang Binhai for the year 2008 as this year is the first profitable year and tax being exempted.

A government grant obtained by Weifang Binhai for subsidising the construction of the production lines and ancillary facilities for manufacturing of high purity isobutylene, polyisobuylene and mono chloro acetic acid which was recognised as a deferred income in 2006. As the construction has been completed as at 31 December 2007, the deferred income commenced to release to income over the useful lives of the relevant assets. Such income is taxable for the year in which it is released to the income statement.

As at 31 December 2008, the Group's subsidiaries in the PRC have aggregated undistributed profits of approximately RMB108,530,000 which belongs to profits earned on or before 31 December 2007 (the "Relevant Profits"). The amounts are not subject to PRC dividend withholding tax when declared and distributed to their immediate holding companies in future. The Directors consider that the Relevant Profit is sufficient to finance the operation of the Company in foreseeable future and hence no further dividend withholding tax provision is made in respect of profits of the Group's PRC subsidiaries for the year ended 31 December 2008. The aggregate amount of temporary differences associated with undistributed earnings as per the management accounts of the Group's subsidiaries in the PRC for the year 2008 for which deferred tax liabilities have not been recognised is approximately RMB18,054,000 as at 31 December 2008.

5. PROFIT FOR THE YEAR

	FOR THE YEAR ENDED 31 DECEMBER	
	2008	2007
	RMB'000	RMB'000
Profit for the year is stated after charging/(crediting) the following:		
Directors' remuneration		
Fees	**285**	311
Other emoluments	**2,416**	2,567
Retirement benefit scheme contriubtions	**40**	24
	2,741	2,902
Other staff costs	**23,918**	21,815
Retirement benefit scheme contriubtions	**1,558**	997
Equity-settled share-based payments expenses	**1,508**	951
Total staff costs	**29,725**	26,665
Auditors' remuneration	**673**	1,257
Depreciation on property, plant and equipment	**33,080**	24,497
Allowance for bad and doubtful debts	**-**	5
Allowance for other receivables (included in other operating expenses)	**1,790**	-
Allowance for inventories (included in cost of sales)	**1,989**	897
Minimum lease payments under operating leases in respect of leasehold land and building	**1,842**	1,869
Cost of inventories recognised as expenses	**618,856**	500,324
Provision for removal expenses (included in other operating expenses)	**3,400**	-
Research expenses	**543**	470
Reversal of allowance for bad and doubtful debts	**-**	(135)
Reversal of allowance for inventories	**-**	(31)

6. DIVIDENDS PER SHARE

A final dividend for 2007 amounting to HK$5,000,000 (dividends per share: HK$1.25 cents) was approved in the annual general meeting of the Company held on 9 May 2008 and paid during the year ended 31 December 2008. The Directors recommend the payment of a final dividend of HK$1.25 cents per share for the year ended 31 December 2008 which is subject to approval by the shareholders of the Company in the forthcoming annual general meeting (the "2009 AGM").

7. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity holders of the Company is based on the following data:

	FOR THE YEAR ENDED 31 DECEMBER	
	2008	2007
	RMB'000	RMB'000
Profit for the year	**24,925**	21,554

	Number of ordinary shares	
	2008	2007
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000,000**	400,000,000

There were no dilutive potential ordinary shares for the years ended 31 December 2008 and 2007.

8. TRADE AND BILLS RECEIVABLE

The Group allows a credit period normally ranging from one month to six months to its trade customers. The bills receivable are non-interest bearing bank acceptance bills and of the age within six months at the both balance sheet dates. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by the management.

At the balance sheet date, the ageing analysis of trade and bills receivable is stated as follows:

	AS AT 31 DECEMBER	
	2008	2007
	RMB'000	RMB'000
0-90 days	**80,513**	146,513
91-180 days	**16,025**	58,443
181-365 days	**939**	1,862
Over 365 days	**-**	356
	97,477	207,174

As at 31 December 2007, the outstanding bills receivable of approximately RMB141,975,000 have been endorsed to certain creditors of the Group but continue to be recognised as bills receivable until maturity.

9. TRADE AND BILLS PAYABLE

At the balance sheet date, the ageing analysis of trade and bills payable is as follows:

	AS AT 31 DECEMBER	
	2008	2007
	RMB'000	RMB'000
0-90 days	**19,674**	110,978
91-180 days	**19,762**	50,511
181-365 days	**7,732**	2,652
Over 365 days	**784**	17
	47,952	164,158

As at 31 December 2007, the Group has endorsed a sum of bank acceptance bills of approximately RMB115,676,000 to certain trade creditors which have not yet been applied to reduce the amounts of trade payables until the relevant bills have been matured.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to receive the final dividend, and attend and vote at the 2009 AGM, the register of members of the Company will be closed from Wednesday, 6 May 2009 to Friday, 8 May 2009, both days inclusive, during which period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 5 May 2009.

BUSINESS REVIEW

During the year under review, the Group has achieved a satisfactory growth in turnover. Turnover increased to approximately RMB725.2 million, representing an increase of 26.3% as compared with that of approximately RMB574.3 million in 2007. The increase in turnover was mainly contributed by the rapid growth of the sales of sodium cyanide, cyano acetic acid and diethyl malonate etc.

The gross profit of the Group recorded healthy growth during the year under review, reaching approximately RMB99.1 million, representing a growth of 43.7% as compared with approximately RMB69.0 million in the last year. The overall gross profit margin of the Group was also increased of 1.7% to 13.7% when compared with 12.0% in 2007. It was mainly due to the implementation of an appropriate pricing strategy, the advantage of large-scale production, the synergy of the upward vertically-integrated production and execution of a disciplined cost control system to increase the competitiveness of its products that against the intensified market competition.

The Group recorded a satisfactory growth of turnover and gross profit, the profit attributable to equity holders of the Company (excluding the one-off provision mentioned below) was approximately RMB28.3 million, represented an increase of 31.4% as compared with that of approximately RMB21.6 million in 2007. Since the land currently occupied by the production plants of Weifang Common will be resumed by the local government (please refer to the paragraph "Resumption and relocation" of this announcement), a one-off provision amount of RMB3,400,000 was recognised for such removal expenses based on the quotations from independent contractors obtained by the Group. However, such removal expenses are expected to be compensated as and when the resumption of land was completed. Such compensation amount cannot be recognised or offset the above mentioned one-off provision in the income statement of the year under review as the compensation amount was not virtually certain as at the date of this announcement in accordance with the current Hong Kong Accounting Standards' requirements. Accordingly, the profit attributable to equity holders of the Company was then reduced to approximately RMB24.9 million for the year under review.

A considerable growth in turnover of the Group was attributable to the adoption of the appropriate marketing strategy, introduction of new products that cater the needs of the market and its products competitive. Besides, the manufacturers in market became more concentrated which was an opportunity for the Group to further consolidate its leading position. The Group has grasped this business opportunity to make certain contribution to the Group's turnover during the year under review.

During the year under review, Weifang Binhai launched the commercial production of high purity isobutylene in the first half of the year and generated certain income to the Group. Meanwhile, the Group was well prepared for the production of polyisobutylene and has devoted its marketing effort during the year under review. The Group has just launched the commercial production of polyisobutylene before the date of this announcement. The Group will spare no effort in the development of this series of products that will become a new growth driver for turnover. The Group has full confident in this potential market and expected to receive positive response from market and to have profit contributions in the coming year.

The Group is continued to pursue a proactive product development in order to diversify its product range and enhance its source of income. During the year under review, the Group has successfully introduced a new product category namely, chloroacetic acid and its derivatives. The Group will further enrich its product type since the market response was very positive.

Much effort and investment were made for the expansion of the production capacity of the Group in the previous years and most of the products of the Group have achieved their optimum production level currently. The Group will continue to pay close attention to the ever changing demand of downstream industry and to counter by the adjustment of its production capacity from time to time. The Group always pursues a higher degree of production cost-efficiency so as to sustain the profitability of the Group. During the year under review, the Group has successfully expanded the production capacity of mono chloro acetic acid in order to meet the Group's internal use.

The scale of production is still the mainstream of the production strategy of the Group, which can support its cost advantage. Also, the Group has carried out a stringent product quality control system which is also one of the key factors to sustain the competitiveness of the Group. In addition, the Group has applied its research results in enhancing its products feature and improving production processing in order to uplift the production yield and reduce the production costs. The Group will continue to innovate and improve the existing production techniques and technology so as to enhance the product quality as a whole.

The Group has adopted an aggressive and effective sales and marketing strategy. The current PRC market demand for the Group's products continues to be strong. Such market was supported and served by a very extensive and well developed distribution network of the Group. Besides, the export sales of the Group continued to expand. The sales and marketing effort for fine petrochemical products was enhanced and gradually entered into the market during the year under review.

The Group built advanced waste water treatment facilities during the year under review in order to promote the safety and environmental protection and sustain the future business development of the Group.

Resumption and relocation

According to the resumption of land (the "Resumption") notice, the usage of the area that Weifang Common is located changed from industrial use to non-industrial use in accordance with the working direction laid down by the local government (please refer to the announcement of the Company dated 18 November 2008 for details). There are three plots of land (the "Land") currently occupied by Weifang Common as its production plant. One plot of the land was formally resumed in November 2008 but the Group is still allowed to use such plot of land and operate the production continuously until the end of June 2009.

Since the date of the announcement, the Group is still in active negotiation with the relevant local authorities for the amount of the compensation and other Resumption terms and conditions of the remaining two pieces of land (the "Remaining Land"). As at the date of this announcement, however, no concrete terms have yet been agreed with the local authorities. All the structures and production facilities erected on the Remaining Land will keep using by Weifang Common for production purposes until the compensation and terms of Resumption have been finalised.

The Land is currently occupied by Weifang Common as a production plant but it is the smallest production plant of the Group. As most of the production facilities erected on the Remaining Land can be removed and relocated to the other nearby production plants of the Group within Weifang city, PRC for its continuous operation and the scale of production will not diminish after the removal and relocation, the Directors are of the view that the Resumption will not cause any material overall impact on the trading, business operation and production and financial aspects to the Group. Besides, the removal and relocation can facilitate the Group to concentrate its resources for realising the strategy of optimum production level, magnifying the synergistic effect of vertical upstream integration production and enhancing the operational efficiency that will strengthen the competitive edge of the Group and be favourable to its future business development.

FINANCIAL REVIEW

The Group's primary source of funding included the net cash inflow generated from operating activities of approximately RMB83.6 million (2007: RMB31.6 million); newly raised bank borrowings of approximately RMB64.7 million (2007: RMB115.6 million) and interest income of approximately RMB0.4 million (2007: RMB0.3 million). With the financial resources obtained from the Group's operations, the Group had invested approximately RMB82.4 million (2007: RMB94.3 million) in the acquisition of the property, plant and equipment, and prepaid lease payments; borrowing repayments of approximately RMB62.8 million (2007: RMB40.1 million); interest expenses of approximately RMB13.2 million (2007: RMB5.4 million) and dividend paid of approximately RMB4.5 million (2007: nil) during the year under review. As at 31 December 2008, the Group had cash and bank deposits of approximately RMB31.4 million (2007: RMB45.6 million), of which 96.3% was held in Renminbi, 3.5% was held in Hong Kong dollars and the remaining balance was held in United States dollars. During the year under review, the Group did not use any financial instruments for any hedging purposes.

As at 31 December 2008, the Group had net current liabilities of approximately RMB37.4 million (2007: RMB22.3 million), the current ratio of the Group was approximately 0.8 times (2007: 0.9 times), bank borrowings of approximately RMB159.6 million (2007: RMB157.8 million) and the gearing ratio which is represented by the ratio of net debts (total borrowings net of cash and cash equivalent) to total shareholders' equity, was approximately 36.8% (2007: 34.3%). The increase in the gearing ratio was due to a rise in capital expenditure on production facilities during the year under review.

In view of the net current liabilities and a slightly higher gearing ratio when compared with those of the previous year (which was caused by (i) an investment in expansion of the production capacity of the Group in order to meet the growing market demand and achieve the economic of scale in production; and (ii) the building of advance waste water treatment facilities for promoting the safety and environmental protection of the Group during the year under review), the Group will closely manage its capital expenditure. The Group will improve its liquidity position by keeping its capital expenditure as lower as possible in the coming year. Together with the positive cash inflow from the Group's operations, existing cash resources and available banking facilities obtained from its bankers, the Group has sufficient financial resources to meet its commitments and working capital requirements. The Group is dedicated to maintaining a sound financial position and improving the equity return to its shareholders.

OUTLOOK

Following efforts in the previous years to optimise the business platform of the Group in order to improve its operational efficiency, provide a strong support for business development and handle increasing challenges in the future effectively, the Group has achieved the targets of business development during the year under review. The Group will further strengthen and utilise its well developed platform to cope with its continuous growing but constantly changing future market.

The Board will review the Group's business and operations strategies from time to time, especially during the current weak market conditions. The Group will strive to improve its leading market shares, enhance production efficiency and maintain its lower cost advantage so as to maintain its leading position in the industry.

Currently, the global financial meltdown and credit crunch has not affected the financing capacity of the Group directly or materially. The Group will continuously pursue its strong financial strength and improve its liquidity in 2009, the overall capital expenditure of the Group will be further slowdown and kept at a lower level than that of 2008.

Looking ahead, the financial turmoil that has hit the global economy is resulting in a general downturn with direct or indirect influence for most, if not all, industry sectors. For fine chemical sector, the challenge in coming year will be increasing as competition will be increased in a tough market environment. In order to achieve a continuous growth and generate a fruitful return to the shareholders of the Company, the Group will pursue its business and operating strategies, including promotion of its upward vertically integrated production and optimum production level strategies, formation of an appropriate sales and marketing strategy according to its extensive experience in the industry, enhancement of its new product development through its information domain and abundant technique in fine chemical products, and implementation of a competitive cost control policy, which can strengthen the competitive edge of the Group and improve the growth of its market share so as to maintain its leading position in the industry.

The Group will continue to strive to sustain its leading position in the industry and has prepared itself well for future business development and expansion. The Group is still optimistic to the expected results of the coming years even though the operating environment will remain challenging. Since the fine chemical industry is still going toward a natural and stable growth, and the downstream industries of the Group are mainly focused on the consumer markets of daily necessities products that the elasticity of demand is relatively lower and over 80% turnover of the Group is contributed by the PRC market where the economy remains sound and demand is still robust, it is expected that the current downturn of the global economy will not have material impact on the demand of the Group's products. Complemented by its leading market position, the Group remains highly confident in its long-term continuous development and success and believes its ability to bring the best returns to the shareholders of the Company.

PLEDGE OF ASSETS

As at 31 December 2008, bank deposits of approximately RMB10.0 million (2007: RMB16.4 million) were pledged for bills facilities. Certain property, plant and equipment of the Group with an aggregate net book value of about RMB30.4 million (2007: RMB77.7 million), prepaid lease payments of approximately RMB62.3 million (2007: RMB44.1 million) and a land and property in the PRC provided by a related party of the Group with an aggregate net book value of approximately RMB5.5 million (2007: nil) were pledged to secure the Group's bank borrowings.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no material contingent liabilities.

CAPTIAL COMMITMENT

As at 31 December 2008, the Group had capital commitments which contracted but not yet provided for approximately RMB17.1 million (2007: RMB22.7 million) and authorized but not contracted for approximately RMB12.4 million (2007: nil) in respect of purchases of property, plant and equipment, and construction-in-progress.

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

During the year under review, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

The Directors are of the opinion that the Company has complied with the Code of Corporate Governance Practice as set out in Appendix 14 of the Rules Governing the Listing of Securities formulated by The Stock Exchange of Hong Kong Limited during the year under review.

MODEL CODES FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code") as its own code governing securities transactions of the Directors. Directors have confirmed compliance with the Model Code for the financial year ended 31 December 2008. The Company has also adopted written guidelines on no less exacting terms than the Model Code for the relevant employees. The senior management, who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors. No incidence of non-compliance of the employees' written guidelines by the relevant employees was noted by the Company.

AUDIT COMMITTEE

The Audit Committee comprises the three independent non-executive Directors, namely, Mr. Leung Kam Wan, Mr. Liu Chenguang and Mr. Gao Baoyu. Mr. Leung is the Chairman of the Audit Committee and he possesses recognised professional qualifications in accounting required by the Listing Rule.

The Audit Committee has reviewed with management and the external auditors, the Group's consolidated financial statements, the accounting principles and practices adopted and discussed auditing, internal controls, and financial reporting matters.

By order of the Board
Liu Hongliang
Chairman

Hong Kong, 20 March 2009

As at the date of this announcement, the executive directors of the Company are Mr. Liu Hongliang, Mr. Wang Zijiang, Mr. Guo Xitian and Mr. Guo Yucheng; whilst the independent non-executive directors of the Company are Mr. Leung Kam Wan, Mr. Liu Chenguang and Mr. Gao Baoyu.