ENERCHINA HOLDINGS LIMITED

威華達控股有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 622)

2008 Results Announcement

Financial Highlights:

For the year ended 31 December 2008

- Group's turnover from continuing operation decreased by 22.6% to HK$1,016.5 million
- Group's gross profit from continuing operation decreased by 77.9% to HK$18.0 million
- Net loss attributable to the equity holders of the Company decreased to HK$394.5 million
- Loss per share of HK8.23 cents

The board of directors (the "Board") of Enerchina Holdings Limited (the "Company") announced the audited consolidated final results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008.

* *For identification purpose only*

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2008

	NOTES	**2008**	2007
		HK$'000	*HK$'000*
		(Audited)	(Audited)
Continuing operation			
Turnover	3	**1,016,532**	1,313,844
Cost of sales		**(998,526)**	(1,232,556)
Gross profit		**18,006**	81,288
Other income		**50,049**	87,974
Administrative expenses		**(41,202)**	(62,081)
Other expenses		**(409)**	(8,105)
Net (losses) gains on investments held for trading		**(92,404)**	16,108
Share of results of associates		**57,526**	48,170
Finance costs	4	**(69,550)**	(65,976)
Impairment loss recognised in respect of goodwill		**(316,580)**	—
(Loss) profit before taxation	5	**(394,564)**	97,378
Taxation	6	**—**	—
(Loss) profit for the year from continuing operation		**(394,564)**	97,378
Discontinued operations	7		
Loss for the year from discontinued operations		**—**	(108,571)
Loss for the year		**(394,564)**	(11,193)
Attributable to:			
Equity holders of the Company		**(394,497)**	(2,425)
Minority interests		**(67)**	(8,768)
		(394,564)	(11,193)
		HK cents	*HK cents*
(Loss) earnings per share	9		
From continuing and discontinued operations			
- basic		**(8.23)**	(0.05)
- diluted		**N/A**	N/A
From continuing operation			
- basic		**(8.23)**	2.02
- diluted		**N/A**	2.01

CONSOLIDATED BALANCE SHEET
AT 31 DECEMBER 2008

	NOTES	**2008**	2007
		HK$'000	*HK$'000*
		(Audited)	(Audited)
Non-current assets			
Property, plant and equipment		**1,480,531**	1,417,111
Prepaid lease payments		**43,979**	42,309
Goodwill		**—**	316,580
Interest in associates		**2,355,532**	2,227,366
Available-for-sale investments		**24**	1,510
Other receivable		**77,976**	—
		3,958,042	4,004,876
Current assets			
Inventories		**103,946**	169,941
Prepaid lease payments		**1,237**	1,464
Trade and other receivables, deposits and prepayments	10	**136,812**	308,133
Investments held for trading		**50,452**	50,439
Pledged bank deposits		**23,810**	—
Bank balances and cash		**160,155**	466,441
		476,412	996,418
Current liabilities			
Trade, notes and other payables	11	**304,529**	354,186
Taxation payable		**8,922**	8,922
Borrowings - amount due within one year		**477,835**	586,760
		791,286	949,868
Net current (liabilities) assets		**(314,874)**	46,550
Total assets less current liabilities		**3,643,168**	4,051,426
Non-current liabilities			
Borrowings - amount due after one year		**169,473**	307,409
Net assets		**3,473,695**	3,744,017
Capital and reserves			
Share capital		**47,931**	47,931
Reserves		**3,425,248**	3,695,536
Equity attributable to equity holders of the Company		**3,473,179**	3,743,467
Minority interests		**516**	550
Total equity		**3,473,695**	3,744,017

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activities of the Group are supply of electricity. The Group was also engaged in sale and distribution of liquefied petroleum gas and natural gas ("Gas Fuel") and construction of gas pipelines, which were discontinued on 28 February 2007 (see note 7).

At 31 December 2008, the Group had net current liabilities of approximately HK$315 million and reported a net decrease in cash and cash equivalents of approximately HK$318 million for the year then ended. The Group's liabilities as at 31 December 2008 included bank loans of HK$478 million that are repayable within twelve months from the balance sheet date. Subsequent to the balance sheet date, the Group has obtained loan facilities from banks amounting to approximately HK$471 million. Taking into account of the internally generated funds and the available banking facilities, the directors of the Company are confident that the Group will be able to meet its financial obligations when they fall due in the foreseeable future and be able to operate on a going concern basis. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2. APPLICATION OF NEW OR REVISED HONG KONG FINANCIAL REPORTING STANDARD ("HKFRSs")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants, which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of financial assets
HK(IFRIC) — INT 11	HKFRS 2: Group and treasury share transactions
HK(IFRIC) — INT 12	Service concession arrangements
HK(IFRIC) — INT 14	HKAS 19 — The limit on a defined benefit asset, minimum funding requirements and their interaction

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

3. SEGMENT INFORMATION

Business segments

The Group is primarily engaged in the supply of electricity after the disposal of gas fuel business. In the preceding year ended 31 December 2007, the Group was also involved in gas fuel business which included the sale and distribution of Gas Fuel and related products, and gas pipeline construction, which was discontinued on 28 February 2007 (see note 7).

Segment information about these businesses is presented below.

	Electricity supplies	Consolidation
	HK$'000	*HK$'000*
Year ended 31 December 2008		
TURNOVER	1,016,532	1,016,532
RESULT		
Segment result	(322,431)	(322,431)
Other income		49,619
Corporate expenses		(17,754)
Net losses on investments held for trading		(92,404)
Finance costs		(69,550)
Gain on deemed disposal arising from dilution of interest in associates		430
Share of results of associates		57,526
Loss before taxation		(394,564)
Taxation		—
Loss for the year		(394,564)

3. **SEGMENT INFORMATION — continued**

Business segments — continued

	Continuing operation		Discontinued operations	
	Electricity supplies	Total	Gas fuel business	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Year ended 31 December 2007				
TURNOVER	1,313,844	1,313,844	421,459	1,735,303
RESULT				
Segment result	58,771	58,771	(5,015)	53,756
Other income		88,074	1,804	89,878
Corporate expenses		(41,224)	(31)	(41,255)
Finance costs		(65,976)	(24,609)	(90,585)
Gain on partial disposal of associates		16,008	—	16,008
Loss on deemed disposal arising from dilution of interest in associates		(6,445)	—	(6,445)
Loss on disposal and deemed disposal of subsidiaries		—	(77,201)	(77,201)
Loss on deemed disposal arising from dilution of interest in subsidiaries		—	(6,212)	(6,212)
Share of results of associates		48,170	3,155	51,325
Profit (loss) before taxation		97,378	(108,109)	(10,731)
Taxation		—	(462)	(462)
Profit (loss) for the year		97,378	(108,571)	(11,193)

4. FINANCE COSTS

	Continuing operation		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Interest on bank and other borrowings wholly repayable within five years	69,550	65,976	—	1,459	69,550	67,435
Interest on convertible bonds	—	—	—	2,453	—	2,453
Interest on guaranteed senior notes	—	—	—	20,515	—	20,515
	69,550	65,976	—	24,427	69,550	90,403
Bank charges	—	—	—	182	—	182
	69,550	65,976	—	24,609	69,550	90,585

5. (LOSS) PROFIT BEFORE TAXATION

	Continuing operation		Discontinued operations		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
(Loss) profit before taxation has been arrived at after charging:						
Depreciation of property, plant and equipment	96,740	106,057	—	17,299	96,740	123,356
Release of prepaid lease payments	1,226	1,408	—	915	1,226	2,323
Allowance for doubtful debts	—	24,562	—	—	—	24,562
and after crediting:						
Interest income on bank deposits	4,211	14,728	—	1,042	4,211	15,770
Dividend income						
- listed	570	372	—	—	570	372
- unlisted	14,189	—	—	149	14,189	149
	14,759	372	—	149	14,759	521
Insurance recovery of damages and losses incurred in prior years as a result of breakdown of property, plant and equipment	29,230	49,842	—	—	29,230	49,842

6. TAXATION

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group has no assessable profit for the year.

The tax charge of discontinued operations for the year ended 31 December 2007 comprised People's Republic of China ("PRC") Enterprise Income Tax for that year.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New 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 Law. The New Law and Implementation Regulations introduced the unification of the income tax at 25% from 1 January 2008 with certain transitional arrangement. The tax rate applicable for all PRC subsidiaries is 18% (2007: ranging from 15% to 33%) for the year ended 31 December 2008. The enactment of the New Law is not expected to have any significant financial effect on the amounts accrued in the consolidated balance sheet in respect of taxation payable and deferred taxation.

Pursuant to relevant laws and regulations in the PRC, certain of the Group's subsidiaries operating in the PRC are entitled to an exemption from PRC Enterprise Income Tax for the first two years commencing from first profit making year of operations and thereafter, the subsidiaries are entitled to a 50% relief from PRC Enterprise Income Tax for the following three years. The reduced tax rate for the relief period is at 9% (2007: ranging from 7.5% to 16.5%). No PRC Enterprise Income Tax has been provided for after taking these tax incentives into account. These tax incentives will be expired by the year 2010.

7. DISCONTINUED OPERATIONS

On 4 December 2006, Towngas China Company Limited ("Towngas China") (formerly known as "Panva Gas Holdings Limited"), a subsidiary of the Company then, entered into a sale and purchase agreement (the "Agreement") with Hong Kong and China Gas (China) Company Limited ("HK&CG (China)"), a wholly-owned subsidiary of The Hong Kong and China Gas Company Limited ("HKCG"), and HKCG. Pursuant to the Agreement, Towngas China had conditionally agreed to purchase from HK&CG (China) the entire issued share capital of certain companies which hold, collectively, equity interests varying from 27% to 100% in certain PRC companies engaging in the operation of piped gas assets and related business in the PRC and to purchase and take assignment of the outstanding loans due from these to be acquired companies to HK&CG (China) or its associates as at the completion subject to the terms and conditions of the Agreement (the "Transaction"). In consideration for the Transaction, Towngas China has agreed to allot and issue 772,911,729 ordinary shares of HK$0.10 each in the capital of Towngas China, each credited as fully paid, to HK&CG (China). Upon the completion of the above transactions, the shareholding of the Company in Towngas China was diluted and Towngas China ceased to be a subsidiary and became an associate of the Company with effect from 1 March 2007. Pursuant to an undertaking by the Company to the Stock Exchange that it would place down the shares held by it in Towngas China, to independent third parties, on or before the completion of the above transactions solely for the purpose of maintaining the public float of Towngas China (if necessary). In this connection, the Company disposed of 33,918,400 shares of Towngas China to independent third parties for an aggregate consideration of approximately HK$126,064,000. Immediately after the above transactions, the Company held 30.54% interests in Towngas China.

The loss for that period from the discontinued operations is analysed as follows:

	1.1.2007 to 28.2.2007
	HK$'000
Loss of gas fuel business operation for that period	(31,370)
Loss on disposal and deemed disposal of subsidiaries	(77,201)
	(108,571)

7. DISCONTINUED OPERATIONS — continued

The results of the gas fuel business were as follow:

	1.1.2007 to 28.2.2007
	HK$'000
Turnover	421,459
Cost of sales	(370,458)
Gross profit	51,001
Other income	1,804
Distribution and selling expenses	(16,682)
Administrative expenses	(39,334)
Other expenses	(31)
Finance costs	(24,609)
Share of results of associates	3,155
Loss on deemed disposal arising from dilution of interest in subsidiaries	(6,212)
Loss before taxation	(30,908)
Taxation	(462)
Loss for the period from discontinued operations	(31,370)
Loss on disposal and deemed disposal of subsidiaries	(77,201)
	(108,571)
Attributable to:	
Equity holders of the Company	(99,200)
Minority interests	(9,371)
	(108,571)

8. DIVIDENDS

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2007: nil).

9. (LOSS) EARNINGS PER SHARE

From continuing and discontinued operations

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

	2008	2007
	HK$'000	*HK$'000*
Loss for the purpose of basic loss for the year attributable to equity holders of the Company	(394,497)	(2,425)

	2008	**2007**
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	4,793,103,776	4,792,914,050
Effect of dilutive share options		10,031,890
Weighted average number of ordinary shares for the purpose of diluted earnings per share		4,802,945,940

No diluted loss per share has been presented because the exercise price of the Company's options was higher than the average market price for shares for the year ended 31 December 2008.

No diluted loss per share had been presented for the year ended 31 December 2007 on the assumption that the exercise of the share options granted by the Company would decrease the loss per share.

9. (LOSS) EARNINGS PER SHARE — continued

From continuing operation

The calculation of basic and diluted earnings per share from continuing operation attributable to the ordinary equity holders of the Company is based on the following data:

	2008	2007
	HK$'000	*HK$'000*
Loss for the year attributable to equity holders of the Company	(394,497)	(2,425)
Less: Loss for the year from discontinued operations attributable to equity holders of the Company	—	99,200
(Loss) earnings for the purposes of basic and diluted earnings per share from continuing operation	(394,497)	96,775

The denominators used are the same as those detailed above.

No diluted loss per share had been presented for the year ended 31 December 2008 because the exercise price of the Company's options was higher than the average market price for shares during the year.

From discontinued operations

Basic loss per share from discontinued operations for the year ended 31 December 2007 was HK2.07 cents per share based on the loss for the year from the discontinued operations of HK$99 million and the denominators detailed above. No diluted loss per share has been presented for the year on the assumption that the exercise of the share options granted by the Company would decrease the loss per share.

10. TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Included in trade and other receivables, deposits and prepayments are trade receivables totalling HK$58,163,000 (2007: HK$210,111,000) all of which are aged less than 90 days.

Included in other receivables, deposits and prepayments at 31 December 2007 was an amount of HK$77,976,000 that represented an advance to an investee of the Group which is unsecured and interest free. During the year ended 31 December 2008, the advance was reclassified as a non-current asset and disclosed separately on the consolidated balance sheet as at 31 December 2008.

11. TRADE, NOTES AND OTHER PAYABLES

Included in trade, notes and other payables are trade and notes payables of HK$248,551,000 (2007: HK$259,853,000), the aged analysis of which is as follows:

	2008	2007
	HK$'000	*HK$'000*
Within 90 days	245,096	256,055
Between 91 - 180 days	1,378	3,750
Between 181 - 360 days	—	—
Over 360 days	2,077	48
	248,551	259,853

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in electricity generation and the sale of electricity, and through Towngas China Company Limited (Stock code: 1083, "Towngas China"), the sales and distribution of Liquefied Petroleum Gas ("LP Gas") and piped gas, and gas pipelines construction.

For the year ended 31 December 2008, the Group recorded a turnover of HK$1,016.5 million, representing a decrease of 22.6% as compared to the same period last year. Gross profit from continuing operation decreased to HK$18.0 million for the year ended 31 December 2008, a decrease of 77.9% as compared to the corresponding period last year. The Group's audited consolidated loss attributable to shareholders for the year ended 31 December 2008 amounted to HK$394.5 million, representing increase of approximately HK$392.1 million as compared with the audited consolidated loss attributable to shareholders of HK$2.4 million for the year ended 31 December 2007. Such increase in the loss attributable to shareholders of the Company was mainly due to the directors reassessed the recoverable amounts of goodwill at 31 December 2008 and determined the goodwill associated with the acquisition of Sinolink Industrial Limited and Shenzhen Fuhuade Electric Power Co., Ltd. was impaired by HK$316.6 million, in light of its abilities to achieve the carrying amount of that units during the year under review.

Overview of Electricity Generation Business

During the year, the Group's on-grid electricity generation amounted to 1,458 million kWh, representing a decline of 30.1% as compared to 2,086 million kWh over 2007. This was mainly caused by (i) the minimized of the overall electricity generation in the second and third quarter in 2008 in view of the volatile heavy oil price; and (ii) the decreased demand for electricity from the power grid after the outbreak of global financial crisis in the last quarter of 2008. As a results, after the exchange translation difference of Renminbi ("RMB") and Hong Kong dollars ("HKD"), the turnover of on-grid electricity dropped by 22.6% to HK$1,016.5 million.

Direct operating expenses attributable to electricity supplies decreased by 19.0% to HK$998.5 million due to the escalating fuel cost especially in the second and third quarter of 2008 and the persistent appreciation of RMB against USD. During the year, the Group incurred a total fuel cost of HK$859.0 million. The Group was granted an amount of HK$518.6 million, in compensation for the high fuel cost, by the Shenzhen Government for the period from December 2007 to September 2008. The subsidy is to ensure the power plant to maintain its profitability in times of rising heavy oil cost.

The staggeringly high world crude oil price had significantly pushed up the price of heavy oil, thus, putting the Group's power generation business under enormous pressure. Despite management's efforts in improving productivity, strengthening fuel procurement and inventory control, the gross profit margin of the power generation business for the year decreased to 1.8% as compared to 6.2% in 2007.

Other income, which principally comprised interest income, insurance compensation and dividend income, was decreased from HK$88.0 million in 2007 to HK$50.0 million in 2008. This was mainly attributable to the (i) HK$29.2 million receipt from insurance compensation due to the machinery breakdown; and (ii) HK$14.2 million dividend income from unlisted investments.

The HK$20.9 million decrease in administrative expense was mainly due to the write-off of HK$24.5 million retention monies for the disposal of 41% equity interest in Xin Hua Control Engineering Company Limited in 2007.

The loss from continuing operation for the year ended 31 December 2008 amounted to HK$394.6 million as compared to the profit from continuing operation of HK$97.4 million for the 2007's. This was mainly results of (i) the drop in profits from electricity generation business; (ii) the impairment of goodwill, which associated with the acquisition of electricity generation business in prior years, amounted to HK$316.6 million; and (iii) net losses on investments held for trading of HK$92.4 million.

After the completion of modifying the two 180 MW power generator units with dual-fuel firing capabilities and constructing of Liquefied Natural Gas pipeline, these provide greater flexibility for the Group to select the most economical source of fuel.

Overview of Gas Fuel Business through its Major Associate, Towngas China

For the year ended 31 December 2008, Towngas China booked a record turnover of HK$4,409 million, a significant increase of 38.0% when compared to 2007. The gas fuel business was divided into the sale of piped gas, gas pipeline construction and sale of liquefied petroleum gas. Turnover contributed from each of these activities amount to HK$1,180 million, HK$448 million, and HK$2,694 million, accounting for 26.8%, 10.2%, and 61.1%, respectively, of Towngas China's turnover. The increase is mainly attributable to the raise in the total volume sold in piped gas business, which contributed from the new subsidiaries.

Operating profit before returns on investments increased to HK$228 million in 2008, representing an increase of approximately 34.3%. Earnings before interests, taxation, depreciation and amortization ("EBITDA") was HK$677 million, an increase of approximately 27.3% from 2007. Profit after tax attributable to shareholders of Towngas China amounted to HK$202 million, an increase of 40.0% when compared to last year. The increase in profit attribution to shareholders was mainly due to the significant increase in contributions from associated companies of HK$106 million in 2007 to HK$146 million in 2008, representing an increase of 37.7%, which resulting from the expand in the volume piped gas sold and number of customers.

On 28 April 2008, the ratings agency Moody's Investor Service upgraded Towngas China's senior unsecured bond rating to Baa3 and also assigned a Baa3 issuer rating to Towngas China. The outlook is stable. The upgrade reflects Towngas China's stronger financial and operational outlook.

FINANCIAL POSITION

The Group's total borrowings decreased from HK$894.2 million as at 31 December 2007 to HK$647.3 million as at 31 December 2008. The bank borrowings as at 31 December 2008 were bank loan used to finance the expansion of the power plant in Shenzhen. The Group's total net interest-bearing debt to equity was 13.3% as at 31 December 2008.

Total assets pledged in securing these loans have a net book value of HK$757.8 million as at 31 December 2008. All the bank borrowings of the Group are mainly at floating rates and denominated in both RMB and USD. The Group's operation is mainly carried out in the PRC and substantial receipts and payments in relation to the operations are denominated in RMB. No financial instruments were used for hedging purpose. The Board will continue to evaluate and monitor the potential impact of the appreciation of RMB to the Group's business and manage the risks of using different financial instruments.

The Group's cash and cash equivalents and pledged bank deposits amounted to HK$160.2 million and HK$23.8 million, respectively, as at 31 December 2008 and are mostly denominated in RMB, HKD and USD.

Capital Commitments

As at 31 December 2008, the Group has capital commitments in respect of the acquisition of property, plant and equipment not provided in the financial statements amounting to HK$5.6 million.

PROSPECTS

Owing to the global recession, the declining demand for electricity in Guangdong Province has also resulted in a slowdown of growth at our power plant. We expect the challenging, volatile and uncertain electricity generation business to continue in 2009. Notwithstanding the unfavorable global economic conditions, the Board continues to pursue investment opportunities with good strategic value in the energy and other sectors in order to enhance the shareholders' value of the Company.

Electricity Generation Business

In view of the fluctuated international crude oil prices, the natural gas has gradually become a major economical energy source in China, especially after the Second West-East Natural Gas Pipeline project. In addition, along with the PRC Government privileged policies of utilizing natural gas, the application of natural gas is expected to boost up. We foresee the next five years would be the second development for China's natural gas. It will also be an evolution for the Group's natural gas business after the successful modifying two 180 MV power generator units with dual-fuel firing capabilities in last year.

The Company will kick off the conversion by converting the remaining 235MW installed capacity generating unit into a gas-fired plant in an appropriate stage. The Company believes that the improvement in productivity, efficiency, gross profit margin and maintenance cost saving following the natural gas conversion plan will put itself in a better position in the industry.

Gas Fuel Business through its Major Associate, Towngas China

Looking forward, Towngas China will continue to expand the city gas portfolio through mergers and acquisitions. On the other, Towngas China will closely monitor the ever changing environment in China's economy and the gas industry, so as to continuously fine tune the development strategies and operation models accordingly. With these measures, despite the challenges imposed by the recent down turn in the pace of economic development in the mainland, Towngas China anticipates a stable progression in 2009.

Rapid market expansion an growth, realized through mergers and acquisitions, has been an essential instrument in sustaining Towngas China's growth potential. In 2009 Towngas China will continue to adhere to this strategy. Towngas China will continue to enjoy the strong backing of The Hong Kong and China Gas Company Limited, and will adopt even more prudent investment strategies on a stricter selective basis, to improve the quality of new undertakings while strictly controlling the risks involved.

Towngas China has a substantial customer base in mainland China and there are still many prospective customers in the regions. While China's economy continues to grow at a rapid pace, inland provinces are just entering the urbanization and industrialization stages. Furthermore, current demand for gas for industrial, commercial and vehicular usage still outstrips supply. Building on the foundations of our existing projects, Towngas China will further penetrate these markets while working to enhance service standards, improve customer structure, increase the proportion of higher margin businesses, and thus enhance the profitability.

FINAL DIVIDEND

In order to retain resources for the Group's business development, the Board does not recommend the payment of a final dividend for the year ended 31 December 2008 (2007: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2008, the Group employed approximately 198 full time employees. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individual performance. In addition, share options may be granted to certain eligible directors and employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

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

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries for the year ended 31 December 2008.

CORPORATE GOVERNANCE

The Company has adopted all the code provisions set out in the Code on Corporate Governance Practices ("Code") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") as its own code on corporate governance practices.

During the year, the Company has complied with the code provisions as set out in the Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the year ended 31 December 2008, all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee ("Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors, namely, Mr. Lu Yungang, Dr. Xiang Bing and Mr. Xin Luo Lin. The Audit Committee meets regularly with the Company's senior management and the Company's auditor to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management. The annual results of the Group for the year ended 31 December 2008 had been audited by the Company's auditor, Deloitte Touche Tohmatsu, and had been reviewed by the Audit Committee.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my appreciation to the staff and management team of the Group for their contribution during the year and also to give my sincere gratitude to all our shareholders for their continual support all these years.

By Order of the Board
Ou Yaping
Chairman

Hong Kong, 8 April 2009

As at the date of this announcement, the Board comprises Mr. OU Yaping (Chairman), Mr. CHEN Wei (Chief Executive Officer), Mr. XIANG Ya Bo and Mr. TANG Yui Man Francis as Executive Directors and Mr. SUN Qiang Chang (Non-executive Vice Chairman) as Non-executive Director and Mr. LU Yungang, Dr. XIANG Bing and Mr. XIN Luo Lin as Independent non-executive Directors.