



CHINA AEROSPACE INTERNATIONAL HOLDINGS LIMITED

航天科技國際集團有限公司

(Incorporated in Hong Kong with limited liability)
(Stock Code: 31)

ANNOUNCEMENT OF ANNUAL RESULT 2006

The Board of Directors (the “Board”) of China Aerospace International Holdings Limited (the “Company”) is pleased to announce the audited results and financial statements of the Company and its subsidiaries (collectively the “Group”) for the financial year ended 31 December 2006.

SUMMARY OF RESULTS

The audited consolidated results of the Group for the year ended 31 December 2006 and the comparative figures of the same period in 2005 are as follows:

CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Continuing operations			
Turnover	3	1,528,101	1,610,175
Cost of sales		(1,170,772)	(1,171,905)
Gross profit		357,329	438,270
Other income		32,909	54,007
Distribution costs		(50,073)	(43,697)
Administrative expenses		(199,060)	(186,583)
Waiver of debts		–	176,024
Impairment loss recognised in respect of property, plant and equipment		(937)	(4,689)
Fair value changes of investment properties		23,414	1,679
Reversal of allowance for amounts due from related companies		–	5,450
Finance costs		(15,956)	(39,289)
Share of results of associates		–	274
Share of results of jointly controlled entities		(5,579)	(9,125)
Impairment loss on available-for-sale investments		–	(146,705)
Gain on disposal of subsidiaries		–	876
Reversal of allowance for amounts due from jointly controlled entities		–	2,977
(Loss) gain on disposal of associates		(201)	69,164
Profit before taxation	4	141,846	318,633
Taxation	5	(26,784)	(1,506)
Profit for the year from continuing operations		115,062	317,127
Discontinued operation			
Loss for the year from discontinued operation		–	(31,252)
Profit for the year		115,062	285,875
Attributable to:			
Equity holders of the Company		110,966	286,403
Minority interests		4,096	(528)
		115,062	285,875
Earnings per share – Basic	6	HK 5.2cents	HK 13.4cents
From continuing and discontinued operations		HK 5.2cents	HK 14.8cents
From continuing operations		HK 5.2cents	

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER

	<i>Notes</i>	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		634,124	590,351
Prepaid lease payments		61,888	60,795
Investment properties		160,562	27,110
Interests in associates		–	8,027
Interests in jointly controlled entities		63,831	69,410
Available-for-sale investments		101,331	90,827
Pledged bank deposits		110,560	110,560
		1,132,296	957,080
Current assets			
Inventories		134,106	125,383
Trade and other receivables	8	267,198	274,742
Prepaid lease payments		2,153	2,070
Loans receivable		70,269	258,077
Amounts due from associates		–	3,627
Taxation recoverable		1,400	2,659
Bank balances and cash		658,756	474,767
		1,133,882	1,141,325
Assets classified as held for sale		20,300	–
		1,154,182	1,141,325
Current liabilities			
Trade and other payables	9	591,307	576,271
Amounts due to associates		1,050	1,050
Amount due to a major shareholder		116,161	184,593
Taxation payable		40,927	20,938
Obligations under finance leases			
– amount due within one year		2,634	7,692
Secured bank loans		65,172	16,925
Other loan		7,167	6,891
		824,418	814,360
Net current assets		329,764	326,965
Total assets less current liabilities		1,462,060	1,284,045
Non-current liabilities			
Obligations under finance leases			
– amount due after one year		44	3,987
Secured bank loans		166,401	191,780
Deferred taxation		22,616	7,954
		189,061	203,721
		1,272,999	1,080,324
Capital and reserves			
Share capital		214,242	214,242
Reserves		1,006,170	846,945
Equity attributable to equity holders of the Company		1,220,412	1,061,187
Minority interests		52,587	19,137
		1,272,999	1,080,324

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2006

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance. The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments, which are measured at fair value.

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

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

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

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

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

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

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

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

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

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

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

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

3. SEGMENT INFORMATION

The Group’s turnover and contribution to trading results, analysed by business segments, which is the primary segment, are as follows:

	Turnover			Results from continuing operations
	External sales	Inter-segment sales	Total	Segment result
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacturing				
Plastic products	558,956	74,608	633,564	63,698
Liquid crystal display	234,305	1,468	235,773	20,482
Printed circuit boards	206,816	–	206,816	46,639
Intelligent chargers and security system	502,383	–	502,383	56,572
Other products	3,928	–	3,928	(12,944)
	1,506,388	76,076	1,582,464	174,447
Property	16,483	10,341	26,824	40,854
Trading	5,230	–	5,230	(3,625)
Finance	–	2,078	2,078	6,116
	1,528,101	88,495	1,616,596	217,792
	–	(88,495)	(88,495)	(23,062)
Consolidated total from continuing operations	1,528,101	–	1,528,101	194,730
Unallocated corporate income				7,847
Unallocated corporate expenses				(38,995)
				163,582
Finance costs				(15,956)
Share of results of jointly controlled entities				(5,579)
Loss on disposal of associates				(201)
Profit before taxation				141,846
Taxation				(26,784)
Profit for the year				115,062

Inter-segment sales are charged at prevailing market prices.

	Turnover			Results from continuing operations
	External sales	Inter-segment sales	Total	Segment result
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacturing				
Plastic products	483,656	66,519	550,175	41,289
Liquid crystal display	133,398	–	133,398	10,882
Printed circuit boards	165,426	–	165,426	30,694
Intelligent chargers and security system	429,359	61	429,420	58,661
Other products	–	–	–	(1,683)
	1,211,839	66,580	1,278,419	139,843
Property	381,080	11,243	392,323	168,534
Trading	9,939	–	9,939	(781)
Finance	7,317	45,490	52,807	13,252
	1,610,175	123,313	1,733,488	320,848
	–	(123,313)	(123,313)	(64,920)
Consolidated total from continuing operations	1,610,175	–	1,610,175	255,928
Unallocated corporate income				76,647
Unallocated corporate expenses				(44,269)
				288,306
Finance costs				(39,289)
Share of results of associates				274
Share of results of jointly controlled entities				(9,125)
Gain on disposal of subsidiaries				876
Reversal of allowance for amounts due from related companies				5,450
Reversal of allowance for amounts due from jointly controlled entities				2,977
Gain on disposal of associates				69,164
Profit before taxation				318,633
Taxation				(1,506)
Profit for the year				317,127

Inter-segment sales are charged at prevailing market prices.

4. PROFIT BEFORE TAXATION

	Continuing operations		Discontinued operations		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Profit before taxation has been arrived at after charging:						
Auditors' remuneration	3,289	2,452	–	295	3,289	2,747
Depreciation on						
– owned assets	43,484	49,645	–	2,181	43,484	51,826
– assets held under finance leases	2,173	2,926	–	–	2,173	2,926
Amortisation on prepaid lease payments	2,116	2,070	–	–	2,116	2,070
Loss on disposal of property, plant and equipment	7,165	11,533	–	4,839	7,165	16,372
Allowance for doubtful debts	634	4,358	–	–	634	4,358
Allowance for amount due from an associate	3,601	–	–	–	3,601	–
Minimum lease payments under operating leases in respect of land and buildings	4,751	3,511	–	–	4,751	3,511
Research expenses	11,603	9,210	–	111	11,603	9,321
Total staff costs, including directors' remuneration	182,725	168,283	–	8,643	182,725	176,926
and after crediting:						
Gross rental income	16,483	21,270	–	–	16,483	21,270
Less: Direct operating expenses from investment properties that generated rental income during the year	(1,346)	(2,898)	–	–	(1,346)	(2,898)
	15,137	18,372	–	–	15,137	18,372
Net gain on disposal of investments held for trading	7,190	–	–	–	7,190	–
Reversal of allowance (allowance) for obsolete inventories (<i>note</i>)	1,408	(3,046)	–	15,079	1,408	12,033
Interest income	11,143	7,317	–	–	11,143	7,317

Note: The amounts are included in cost of sales.

5. TAXATION

The tax charge for the year comprises:

	Continuing operations	
	2006 HK\$'000	2005 HK\$'000
Current tax:		
Hong Kong Profits Tax	5,998	457
PRC Enterprise Income Tax	16,240	10,717
	22,238	11,174
Under(over)provision in prior years:		
Hong Kong Profits Tax	185	(91)
Deferred tax	4,361	(9,577)
Taxation attributable to the Company and its subsidiaries	26,784	1,506

Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profits for both years. Taxation arising in other jurisdictions is calculated at rates prevailing in the relevant jurisdictions.

Pursuant to relevant laws and regulations in the PRC, certain of the Company's subsidiaries are entitled to exemption from income tax under tax holidays and concessions. Income tax was calculated at rates given under the concessions.

6. EARNINGS PER SHARE

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

	2006 HK\$'000	2005 HK\$'000
Earnings		
Earnings for the year for calculation of basic earnings per share from continuing and discontinued operations	110,966	286,403
Earnings for the year for calculation of basic earnings per share from continuing operations	110,966	317,655
	Number of Shares '000	'000
Weighted average number of ordinary shares for the calculation of basic earnings per share	2,142,420	2,142,420

7. DIVIDEND

No dividend was paid or proposed during 2006, nor has any dividend been proposed since the balance sheet date (2005: nil).

8. TRADE AND OTHER RECEIVABLES

	2006 HK\$'000	2005 HK\$'000
Trade receivables	229,827	195,315
Other receivables, deposits and prepayments	37,371	79,427
	267,198	274,742
The Group allows an average credit period of 90 days to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:		
	2006 HK\$'000	2005 HK\$'000
Within 90 days	221,637	195,315
Between 91 – 180 days	8,190	–
	229,827	195,315

The fair value of the Group's trade and other receivables at 31 December 2006 approximates to the corresponding carrying amount.

9. TRADE AND OTHER PAYABLES

	2006 HK\$'000	2005 HK\$'000
Trade payables	268,350	316,776
Other payables and accrued charges	322,957	259,495
	591,307	576,271
The following is an aged analysis of trade payables at the balance sheet date:		
	2006 HK\$'000	2005 HK\$'000
Within 90 days	236,508	280,739
Between 91 – 180 days	5,872	4,402
Between 181 – 365 days	348	1,440
Between 1 to 2 years	5,256	8,977
Over 2 years	20,366	21,218
	268,350	316,776

The fair value of the Group's trade and other payables at 31 December 2006 approximates to the corresponding carrying amount.

BUSINESS REVIEW

The audited turnover of the Group for the year ended 31 December 2006 was HK\$1,528,101,000 and the profit attributable to shareholders was approximately HK\$110,966,000. The earnings per share was HK\$0.052.

In 2006, through acquiring new quality customers, continuing technological enhancement and strengthening internal control, the Group's hi-tech manufacturing business, which comprises liquid crystal displays, printed circuit boards, plastic injection and intelligent battery chargers as the core products, achieved a steady growth. The turnover from which recorded HK\$1,506,388,000, representing an increase of about 24% as compared to that of last year; and the profit was HK\$174,447,000, representing an increase of about 25% as compared to that of last year. In particular, the performance of the businesses of liquid crystal displays and printed circuit boards was relatively strong. During the year, the turnover of both businesses increased 76% and 25% respectively.

In 2006, the Group has focused in asset restructure and enhancement; with such efforts gaining a substantial breakthrough. With the full support from the substantial shareholder, China Aerospace Science & Technology Corporation ("CASC"), the Group entered into a sale and purchase agreement with CASC in March 2006. Pursuant to the agreement, CASC was assigned loans receivable of approximately HK\$188,000,000; the Group, in return, received a 79.25% shareholdings in Vanbao Development (Canada) Limited, the related shareholder's loan and the entire shareholdings of Dongguan Huadun Enterprises Limited as the consideration for the disposal of loans receivable. The transaction was made in accordance with an equal-value swap principle. In order to settle the balance, CASC agreed to set off a sum of HK\$80,000,000 shareholder's loan due from the Group and paid to the Group a sum of approximately HK\$14,924,000 in cash. The details of the transaction are referred to the shareholders' circular dated 10 April 2006. The independent shareholders of the Company approved the transaction at the extraordinary general meeting held on 26 April 2006. The transaction was completed on 30 September 2006.

The assets swap transaction strengthened the financial position and improved the asset quality of the Group. As of 31 December 2006, the appraised values of the two pieces of land assigned from the assets swap transaction contributed a surplus of HK\$18,533,000 to the Group upon revaluation, as a result of the booming property markets.

In 2006, the Group captured opportunities to strengthen the development of new businesses and migrated an important step forward. Hi-tech manufacturing business, science and technology park complex development, and hi-tech industries development are the three major focuses of the Group's business development. With the support from CASC, the Group successfully reached a joint venture agreement with the Shanghai Minhang Investment Construction Company Limited, a wholly-owned subsidiary of the government of Minhang District in Shanghai, to establish the Shanghai Aerospace Technology Investment Company Limited (the "Joint Venture"). The details of the agreement are referred to the shareholders' circular dated 16 November 2006. The principal activities of the Joint Venture are the development, management and operation of the Aerospace Technology Park ("Park"). Locating in the Minhang District, Shanghai, the Park is planned to attract enterprises from aerospace and advanced-technology industries. At present, the Joint Venture has been established and engaged in normal operation. The Park has commenced an initial site work in order to prepare for the construction. It is anticipated that the Joint Venture will attract high potential enterprises from CASC to the Park.

The mission of the Park is to become the economic focal point for CASC's industries. Being a 80% controlling shareholder of the Joint Venture, the Group will utilize this investment project to establish a platform with an aim to explore and realize orderly mergence and interactive development of aerospace and advanced-technology industries in the PRC. As the developer, manager and operator of the Park, the Joint Venture will ensure that those enterprises' projects entering into the Park will comply with the relevant requirements of the Shanghai Municipal People's Government. The Joint Venture will also assist those enterprises from CASC to introduce capital investments.

BUSINESS PROSPECT

Following the completion of the third phase extension work of Huizhou Industrial Park, the Group's overall production capacity will be enhanced. It is anticipated that the hi-tech manufacturing business will maintain a steady growth and contribute a stable foundation to generate profits for the Group.

In relation to the complex development of the Park, the Group's Joint Venture in Shanghai will endeavor to build up a professional team and work closely with the municipal government and experienced business partners so as to construct and develop the Park jointly. In the meantime, the Group will continue to strengthen the communications with CASC and fully utilize the leading resources of CASC to further explore other potential projects and investment opportunities.

Looking forward, the Board is full of confidence of the Group's future development. The Group will adhere to the above business focuses and endeavor to active development in hope of creating values for our shareholders and the community.

MANAGEMENT DISCUSSION AND ANALYSIS

The audited turnover of the Group for the year ended 31 December 2006 was HK\$1,528,101,000, representing a decrease of 5% as compared with that of the continuing operations in 2005. The administrative expenses and the finance costs were HK\$199,060,000 and \$15,956,000 respectively, representing an increase of 6.69% and a decrease of 59% as compared with last year. The profits attributable to shareholders were HK\$110,966,000, representing a decrease of 61% as compared with that of HK\$286,403,000 in last year. The Directors resolved not to declare any final dividend in respect of the financial year ended 31 December 2006.

The reduction of turnover in 2006, as compared with that of 2005, was mainly due to the disposal of Conic Investment Building in 2005 which generated a revenue of HK\$330,000,000. The reduction of overall profits in 2006, as compared with that of 2005, was due to the profits of 2005 being included exceptional gains arising from the waiver of debts resulting from the restructuring of the loans with the Bank of China, of HK\$176,024,000, and the profits on the disposal of the shareholdings in CASIL Telecommunications Holdings Limited and several associate companies, of HK\$69,164,000. Save for the exceptional gains, the profits in 2006 increased 53% as compared with that of 2005 of HK\$72,467,000. The increase was arising from the growth in profits of hi-tech manufacturing business. The substantial reduction of finance costs in 2006 was the results of a series of loan restructurings and the betterment of assets. The increase in administrative expenses was caused by the increase in staff cost of the Group, the relocation of head office, and the increase in research and development expenses and the additional provisions made by the subsidiaries.

During the first half of 2006, the Group completed its business restructuring in accordance with the development strategy, and continued to devote to market development. Through the adoption of the measures of strict cost control, cutting finance expenses and accelerating assets consolidation, the Group improved its overall assets allocation. The core competitive advantages and leading position of the major businesses were further strengthened, maintaining a relatively good development strength and creating better conditions for the Group's future development.

In 2006, the operations of the Group’s hi-tech manufacturing business was well performed. The turnovers for businesses of liquid crystal displays, printed circuit boards, plastic products and intelligent battery chargers were HK\$234,305,000, HK\$206,816,000, HK\$558,956,000 and HK\$502,383,000, representing an increase of 76%, 25%, 16% and 17% respectively. The overall average gross profit margin of hi-tech manufacturing business was 22%. Through continuous measures such as enhancement of production efficiency, strict cost control and provision of good quality of customer services, the hi-tech manufacturing business maintains strong competitive advantages.

The construction work of the third phase extension of Huizhou Industrial Park was completed at the end of 2006. It is anticipated that production will commence in the new factory buildings, of around 45,000 m², during the first half of 2007. The production capacity of hi-tech manufacturing business will then be enhanced, creating a new momentum for the hi-tech manufacturing business to attain future growth.

As at 31 December 2006, the total assets of the Group were HK\$2,286,478,000, of which the non-current portion and the current portion were HK\$1,132,296,000 and HK\$1,154,182,000 respectively. The total liabilities were HK\$1,013,479,000, of which the current and the non-current liabilities were HK\$824,418,000 and HK\$189,061,000 respectively. Save for the minority interest, the equity attributable to equity holders of the Company was HK\$1,220,412,000 and the net assets per share was HK\$0.57. Save as the litigation disclosed in the 2006 annual report, the Group did not have any material contingent liabilities. As at 31 December 2006, the assets/liabilities ratio was 44.32% representing an improvement as compared to that of 48.52% of last year and the current ratio was 1.40, which was more or less the same to that of last year.

The source of funding of the Group mainly comes from its internal financial resources and banking facilities. The Group’s cash on hand as at 31 December 2006 was HK\$769,316,000, most of which was in HK dollars and the rest in RMB and US dollars. The Group reviews its cash flow and financial position periodically and does not engage into any financial instruments or derivatives to hedge the exchange and the interest rate risks.

The completion of the assets swap transaction with CASC resulted in substantial reduction in the outstanding amount of loans receivable of the Group, increase in cash on hand, and decrease in the amount due to substantial shareholder; the quality of the Group’s asset was then improved as a result. The Group will endeavor to collect the remaining loans receivable and handle the related litigation properly.

In December 2006, the Group reached an agreement with an independent third party to dispose part of the property assets of Dongguan Huadun Enterprises Limited. The disposal is expected to complete during the first half of 2007 and the revenues arising from such transaction will be reflected in 2007.

A couple of the Group’s real estates and investments have been mortgaged to banks for financing with interest calculated at prime rate, and the remaining terms by installment are repayable in about 5 years.

The Group’s emolument policy is based on employee’s qualification, experience and performance and is referred to market data. The Group will continue to strengthen the human resources management and strictly apply the performance based evaluation standard so as to enhance the performance of individual staff and their contributions to the Group. As at 31 December 2006, the Group had more than 5,700 staff in both the mainland China and Hong Kong.

Looking forward to year 2007, under the leadership of the Board, the Group will reinforce its capabilities to enhance sales and profitability, perfect the internal control system, and strengthen internal management, with an aim to maintain the steady growth of the hi-tech manufacturing business. Regarding science and technology park complex development and hi-tech industries investment, the Group will actively explore opportunities, so as to achieve breakthrough in new business development and deliver outstanding performance for shareholders.

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

There had been no purchase, sale or redemption of the Company’s listed securities by the Company and its subsidiaries during the period.

CORPORATE GOVERNANCE

During 2006, the Company had complied with the provisions of the Code on Corporate Governance Practices of Appendix 14 of the Listing Rules.

The Company had adopted the Model Code for Securities Transactions by Directors of Listed Issuers, Appendix 10 of the Listing Rules, as the required standard for the Directors of the Company to trade the securities of the Company. Hence, the Company enquired all the Directors individually whether they had complied with Appendix 10 while trading the securities of the Company during 2006, and all Directors had complied with the requirements of Appendix 10 during the period.

AUDIT COMMITTEE

The Audit Committee of the Company currently has a membership comprising two Independent Non-Executive Directors, Mr Chow Chan Lum, Charles and Mr Luo Zhenbang, and a Non-Executive Director, Mr Wang Yujun. The Audit Committee of the Company reviewed, discussed and approved this 2006 financial statements that had been audited by the auditors, Deloitte Touche Tohmatsu.

DISCLOSURE OF INFORMATION WEBSITES

Information that is required by paragraphs 45(1) to 45(3) of Appendix 16 of the Listing Rules will be released on the websites of the Stock Exchange (www.hkex.com.hk) and the Company (www.casil-group.com) in due course.

DIRECTORS

Upon the Board’s approval to the audited financial statements of the Group for the year ended 31 December 2006, Mr Lee Hung Sang, due to limited time available to the directorship of the Company, and Mr Chen Dingyi, due to the reason of retirement, resigned as Independent Non-Executive Director and member of Remuneration Committee of the Company, and Non-Executive Director of the Company respectively and Mr Wang Junyan was appointed as Independent Non-Executive Director and member of Remuneration Committee of the Company, with effect from 30 March 2007. The Board expresses its appreciation to Mr Lee Hung Sang and Mr Chen Dingyi for the valuable contributions to the Company during their tenure of services and extends a warm welcome to Mr Wang Junyan in joining the Board of the Company.

APPRECIATION

The Company expresses its sincere gratitude to its shareholders, banks, business partners, people from various social communities, as well as all staff of the Group for their long-time support.

By order of the Board
Ma Xingrui
Chairman

Hong Kong SAR, 30 March 2007

As of the date of this announcement, the Board of Directors of the Company comprises:

Executive Directors	Non-Executive Directors	Independent Non-Executive Directors
Mr Zhao Liqiang (<i>President</i>)	Mr Ma Xingrui (<i>Chairman</i>)	Mr Chow Chan Lum, Charles
Mr Zhou Qingquan	Mr Gong Bo	Mr Luo Zhenbang
Mr Zhao Yuanchang	Ms Chan Ching Har, Eliza	Mr Wang Junyan
Mr Wu Hongju	Mr Wang Yujun	
Mr Guo Xianpeng	Mr Xu Jianhua	