中粮
COFFO

CHINA AGRI-INDUSTRIES HOLDINGS LIMITED
中國糧油控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 606)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL HIGHLIGHTS

- **The Company was listed on the main board of The Stock Exchange of Hong Kong Limited on 21 March 2007, with net proceeds of approximately HK$2.8 billion after exercising the over-allotment option.**
- **The Group's revenue for continuing operations increased approximately 29.6% year-on-year to approximately HK$17,899 million and profit attributable to equity holders of the Company reached approximately HK$755 million, an increase of approximately 196.4%.**
- **The segment results of oilseed business increased approximately 229% to HK$464 million. The overall strong performance of the oilseed processing business was mainly attributable to an increase in selling prices of edible oil, especially in the fourth quarter of the fiscal year, and an increase in sales volume of key product lines during the year.**
- **The newly acquired biofuel & biochemical business (100% interest in Zhaodong Bio-Energy on 27 January 2006 and 20% interest in Jilin Fuel in March 2006) accounted for approximately 24% of the total segment results for continuing operations during the year.**
- **The board of directors does not recommend the payment of dividend for the year ended 31 December 2006.**

The board of directors (the "Board") of China Agri-Industries Holdings Limited (the "Company") is pleased to announce the audited combined results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006 together with the comparative figures for the corresponding period in 2005 as follows:

COMBINED INCOME STATEMENT
Year ended 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
CONTINUING OPERATIONS			
REVENUE	6	17,899,323	13,813,171
Cost of sales		(16,506,697)	(13,100,661)
Gross profit		1,392,626	712,510
Other income and gains	6	405,384	156,597
Selling and distribution costs		(500,531)	(355,079)
Administrative expenses		(301,632)	(166,934)
Other expenses		(17,293)	(3,463)
Finance costs	8	(200,463)	(132,636)
Share of profits of associates		201,045	82,172
PROFIT BEFORE TAX	7	979,136	293,167
Tax	9	(129,598)	(51,370)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS		849,538	241,797
DISCONTINUED OPERATIONS			
Profit for the year from discontinued operations	11	64,541	41,558
PROFIT FOR THE YEAR		914,079	283,355
Attributable to:			
Equity holders of the Company		755,416	254,879
Minority interests		158,663	28,476
		914,079	283,355
DIVIDENDS	10	362,084	144,000
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic			
- For profit for the year		HK27.1 cents	HK9.1 cents
- For profit from continuing operations		HK25.4 cents	HK7.7 cents

COMBINED BALANCE SHEET
At 31 December 2006

	Notes	2006 HK$'000	2005 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		5,376,206	3,773,301
Prepaid land premiums		370,231	266,636
Deposits for purchases of items of property, plant and equipment		334,262	107,861
Goodwill		584,806	246,355
Interests in associates		1,081,928	627,706
Available-for-sale investment		2,387	2,387
Deferred tax assets		2,401	2,616
Total non-current assets		7,752,221	5,026,862
CURRENT ASSETS			
Inventories		3,674,463	2,489,983
Accounts and bills receivable	13	1,045,685	751,789
Deferred initial public offering expenses	14	36,523	—
Prepayments, deposits and other receivables		1,445,500	792,978
Derivative financial instruments		537	12,314
Due from fellow subsidiaries		188,356	173,629
Due from related companies		—	13,860
Due from the ultimate holding company		16,486	7,800
Tax recoverable		—	1,212
Pledged deposits		51,878	406,286
Cash and cash equivalents		1,249,388	523,803
Total current assets		7,708,816	5,173,654
CURRENT LIABILITIES			
Accounts and bills payable	15	874,563	511,113
Other payables and accruals		957,477	597,350
Deferred income		1,726	1,704
Interest-bearing bank and other borrowings		3,302,526	3,081,401
Due to fellow subsidiaries		532,849	1,244,615
Due to the ultimate holding company		—	182,524
Due to immediate holding company		14,010	—
Due to related companies		379,925	537,464
Due to minority shareholders of subsidiaries		5,005	4,274
Tax payable		45,805	5,488
Total current liabilities		6,113,886	6,165,933
NET CURRENT ASSETS/(LIABILITIES)		1,594,930	(992,279)
TOTAL ASSETS LESS CURRENT LIABILITIES		9,347,151	4,034,583
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		2,065,085	363,473
Due to fellow subsidiaries		—	182,117
Due to immediate holding company		—	460,157
Due to minority shareholders of subsidiaries		111,665	105,628
Deferred income		57,754	27,478
Deferred tax liabilities		23,480	—
Total non-current liabilities		2,257,984	1,138,853
Net assets		7,089,167	2,895,730
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		279,138	279,138
Reserves		5,689,789	1,712,959
		5,968,927	1,992,097
Minority interests		1,120,240	903,633
Total equity		7,089,167	2,895,730

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. **CORPORATE INFORMATION AND REORGANISATION**

China Agri-Industries Holdings Limited (the "Company") is a limited liability company incorporated in Hong Kong. The registered office of the Company is located at 33rd Floor, Top Glory Tower, 262 Gloucester Road, Causeway Bay, Hong Kong.

Pursuant to a special resolution passed on 29 December 2006, the name of the Company was changed from Sino Vision Hong Kong Limited to China Agri-Industries Holdings Limited.

During the year, the Company and its subsidiaries (collectively referred to as the "Group") was involved in the following principal activities:

- oilseed processing;
- wheat processing;
- production and sale of brewing materials;
- processing and trading of rice;
- production and sale of biofuel and biochemicals;
- distribution of consumer-pack edible oil; and
- trading of non-rice foodstuffs products.

In the opinion of the directors, the ultimate holding company of the Company is COFCO Limited (formerly known as China National Cereals, Oils & Foodstuffs Corporation) ("COFCO"), which is a state-owned enterprise established in the PRC.

The Company was incorporated in Hong Kong on 18 November 2006. Upon its incorporation, the Company had an authorised ordinary share capital of HK$10,000 divided into 10,000 shares of HK$1 each. One share of HK$1 was issued at par to COFCO International Limited (to be renamed as China Foods Limited) ("COFCO International"), the Company's immediate holding company.

Pursuant to an ordinary resolution passed on 29 December 2006, the authorised and issued share capital of the Company were subdivided into 100,000 ordinary shares and 10 ordinary shares of HK$0.1 each, respectively. Pursuant to a special resolution passed on the same date, the authorised capital of the Company was increased from HK$10,000 to HK$400,000,000 by the creation of an additional 3,999,900,000 ordinary shares of HK$0.1 each, ranking pari passu in all respects with the existing share capital of the Company.

Subsequent to the balance sheet date, on 10 January 2007, pursuant to a reorganisation scheme in preparation for the listing of the Company's shares on the main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company acquired from COFCO International the entire issued share capital in China Agri-Industries Limited ("China Agri-Industries"), the holding company of the Company's subsidiaries, in consideration for the allotment and issue of 2,791,383,346 ordinary shares of HK$0.1 each in the share capital of the Company, credited as fully paid. The Company then became the holding company of the companies now comprising the Group (the "Reorganisation").

Pursuant to the Reorganisation, the Group ceased the consumer-pack edible oil and the trading of non-rice foodstuffs businesses, which were transferred to COFCO International on 1 January 2007 at nil consideration and in form of dividend distribution of HK$357,506,000 with reference to the carrying amount of net assets of the trading of non-rice foodstuffs business, respectively. No significant gain or loss was resulted from the discontinuation of the consumer-pack edible oil business.

Further details of the Reorganisation are set out in the Company's listing prospectus dated 8 March 2007 (the "Prospectus").

The shares of the Company were listed on the main board of the Stock Exchange on 21 March 2007.

2. **BASIS OF PREPARATION**

The combined financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and accounting principles generally accepted in Hong Kong, except for those disclosed in the following paragraph. They have been prepared under the historical cost convention, except for derivative financial instruments and equity investments, which have been measured at fair value. These combined financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except where otherwise indicated.

As the Company's acquisition of China Agri-Industries took place on 10 January 2007, according to HKAS 10 "Events after the Balance Sheet Date", the Company together with its subsidiaries should only be regarded and accounted for as a continuing group in the preparation of the Group's financial statements commencing from the year ending 31 December 2007, as HKAS 10 specifies that financial statements should not incorporate a combination which occurs after the balance sheet date being reported on. Nevertheless, for the benefit of the shareholders, the combined financial statements of the Group for the current year and the related notes thereto have been presented in these financial statements on the principle of merger accounting such that the Company was treated as the holding company of its subsidiaries for the financial years presented rather than from the subsequent date of its acquisition of the subsidiaries on 10 January 2007.

The combined financial statements have been prepared based on the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the HKICPA, as if the Reorganisation had been completed as at the beginning of the year ended 31 December 2005 because the Company's acquisition of the companies now comprising the Group should be regarded as a business combination under common control as the Company and the companies now comprising the Group are all ultimately controlled by COFCO, before and after the Reorganisation, except for the subsidiaries acquired by COFCO during the year, which are accounted for using the purchase method of accounting.

The combined income statement, combined cash flow statement and combined statement of changes in equity of the Group for the years ended 31 December 2006 and 2005 include the results and cash flows of all companies now comprising the Group, as if the current structure had been in existence throughout the years ended 31 December 2005 and 2006, or since their respective date of acquisition, incorporation or establishment, where this is a shorter period. The combined balance sheets of the Group as at 31 December 2005 and 2006 have been prepared to present the state of affairs of the Group as if the current structure had been in existence and in accordance with the respective equity interests and/or the power to exercise control over the individual companies attributable to the existing shareholders as at the respective dates.

Basis of combination

The combined financial statements include the financial statements of the Company and its subsidiaries for the years ended 31 December 2005 and 2006. Except for the results of the subsidiaries acquired during the years ended 31 December 2005 and 2006, which are combined using purchase method of accounting from their effective dates of acquisitions, being the dates on which the Group obtained control, the results of the companies comprising the Group were presented on a merger basis as described above.

Purchase method of accounting involves allocating the cost of the business combinations to the fair value of the identifiable assets acquired, and liabilities and contingent liabilities assumed at the date of acquisition. The cost of the acquisition is measured at the aggregate of the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

All significant intercompany transactions and balances within the Group are eliminated on combination.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. Acquisitions of minority interests are accounted for using the parent entity extension method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as goodwill or as gain in the income statement.

3. EARLY ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS

The HKICPA has issued a number of new and revised HKFRSs, which are generally effective for accounting periods beginning on or after 1 January 2005. For the purpose of preparing and presenting the combined financial statements, the Group has early adopted the new HKFRSs as follows:

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 12	Income Taxes
HKAS 14	Segment Reporting
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 18	Revenue
HKAS 19	Employee Benefits
HKAS 20	Accounting for Government Grants and Disclosure of Government Assistance
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 21 Amendment	Net Investment in a Foreign Operation
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 28	Investments in Associates
HKAS 31	Interests in Joint Ventures
HKAS 32	Financial Instruments: Disclosure and Presentation
HKAS 33	Earnings per Share
HKAS 36	Impairment of Assets
HKAS 37	Provisions, Contingent Liabilities and Contingent Assets
HKAS 38	Intangible Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKAS 39 Amendment	Transition and Initial Recognition of Financial Assets and Financial Liabilities

The early adoption of above new and revised HKFRSs by the Group is consistent with the financial information of the Group presented in the Appendix I to the Prospectus.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the combined financial statements:

HKAS 1 Amendment	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HKFRS 8	Operating Segments
HK(IFRIC)-Int 7	Applying the Restatement Approach under HKAS 29 "Financial Reporting in Hyperinflationary Economies"
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements

HKAS 1 Amendment shall be applied for accounting periods beginning on or after 1 January 2007. This revised standard will affect the disclosures about qualitative information about the Group's objective, policies and processes for managing capital; quantitative data about what the Company regards as capital; and compliance with any capital requirements and the consequences of any non-compliance.

HKFRS 7 shall be applied for accounting periods beginning on or after 1 January 2007. This standard requires disclosures that enable users of the combined financial statements to evaluate the significance of the Group's financial instruments and the nature and extent of risks arising from those financial instruments and also incorporates many of the disclosure requirements of HKAS 32.

HKFRS 8 shall be applied for accounting periods beginning on or after 1 January 2009. The standard requires the disclosure of information about the operating segments of the Group, the products and services provided by the segments, the geographical areas in which the Group operates, and revenues from the Group's major customers. This standard will supersede HKAS 14.

HK(IFRIC)-Int 8 applies to transactions under the scope of HKFRS 2 when the identifiable consideration received (or to be received) by the entity, including cash and the fair value of identifiable non-cash consideration (if any), appears to be less than the fair value of the equity instruments granted or liability incurred. The interpretation states that typically this circumstance indicates that other consideration (i.e., unidentifiable goods or services) has been (or will be) received. The entity shall measure the unidentifiable goods or services received (or to be received) as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received (or to be received), at grant date. However, for cash-settled transactions, the liability shall be remeasured at each reporting date until it is settled. This interpretation shall be applied for accounting periods beginning on or after 1 May 2006.

HK(IFRIC)-Int 7, HK(IFRIC)-Int 9, HK(IFRIC)-Int 10, HK(IFRIC)-Int 11 and HK(IFRIC)-Int 12 shall be applied for accounting periods beginning on or after 1 March 2006, 1 June 2006, 1 November 2006, 1 March 2007 and 1 January 2008, respectively.

The Group is in the process of making assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of the HKAS 1 Amendment, HKFRS 7 and HKFRS 8 may result in new or amended disclosures, these new and revised HKFRSs should not have any significant impact on the Group's results of operations and financial position.

5. SEGMENT INFORMATION

Segment information is presented by way of the Group's primary segment reporting basis, by business segment. In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No further geographical segment information is presented as over 90% of the Group's revenue is derived from customers based in Mainland China, and all of the Group's assets are located in Mainland China.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of the other business segments. Details of the business segments are summarised as follows:

(a) the oilseed processing segment engages in the extraction, refining and trading of edible oils and related businesses;

(b) the brewing materials segment engages in the processing of malt;

(c) the rice processing and trading segment engages in the processing and trading of rice;

(d) the wheat processing segment engages in the production of flour products and related businesses;

(e) the biofuel and biochemical segment engages in the production and sale of bio-ethanol and related products;

(f) the consumer-pack edible oil segment engages in the distribution of retail package cooking oil;

(g) the trading of non-rice foodstuffs segment engages in the trading of food commodities, animal feedstock, and agricultural and aquatic products; and

(h) the "corporate and others" segment comprises, principally, the Group's management services business.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2006 and 2005.

Year ended 31 December 2006	Continuing operations: Oilseed processing	Brewing materials	Rice processing and trading	Wheat processing	Biofuel and biochemical	Corporate and others	Eliminations	Total	Discontinued operations: Consumer-pack edible oil	Trading of non-rice foodstuffs	Total	Combined
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:												
Sales to external customers	11,885,460	878,835	2,065,982	1,764,426	1,304,620	—	—	17,899,323	1,843,671	540,330	2,384,001	20,283,324
Intersegment sales	1,603,998	—	—	—	—	—	(1,603,998)	—	—	—	—	
Other revenue	119,322	364	1,003	63,662	206,881	—	—	391,232	341	25,215	25,556	416,788
Segment results	464,243	71,262	128,735	76,035	228,206	(4,079)	—	964,402	59,587	45,028	104,615	1,069,017
Interest income								16,393			4,332	20,725
Loss on disposal of a subsidiary								(2,241)			—	(2,241)
Finance costs								(200,463)			(19,193)	(219,656)
Share of profits of associates	175,026	—	—	3,373	22,646	—	—	201,045	—	—	—	201,045
Profit before tax								979,136			89,754	1,068,890
Tax								(129,598)			(25,213)	(154,811)
Profit for the year								849,538			64,541	914,079
Assets and liabilities												
Segment assets	6,500,643	1,297,652	1,228,914	934,444	2,601,419	2,379,940	(3,070,228)	11,872,784	370,331	832,327	1,202,658	13,075,442
Interests in associates	745,418	—	—	51,582	284,928	—	—	1,081,928	—	—	—	1,081,928
Unallocated assets								1,056,888			246,779	1,303,667
Total assets								14,011,600			1,449,437	15,461,037
Segment liabilities	2,094,939	592,211	764,669	704,113	1,089,287	31,725	(3,070,228)	2,206,716	304,620	423,638	728,258	2,934,974
Unallocated liabilities								4,834,504			602,392	5,436,896
Total liabilities								7,041,220			1,330,650	8,371,870
Other segment information:												
Depreciation	175,984	29,335	12,724	25,673	64,630	—	—	308,346	805	1,066	1,871	310,217
Capital expenditure	185,347	172,678	5,591	48,438	802,026	109	—	1,214,189	2,595	109	2,704	1,216,893

Year ended 31 December 2005	Continuing operations: Oilseed processing	Brewing materials	Rice processing and trading	Wheat processing	Biofuel and biochemical	Corporate and others	Eliminations	Total	Discontinued operations: Consumer-pack edible oil	Trading of non-rice foodstuffs	Total	Combined
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Segment revenue:												
Sales to external customers	9,971,610	865,058	1,314,343	1,662,160	—	—	—	13,813,171	1,898,994	588,266	2,487,260	16,300,431
Intersegment sales	1,696,382	—	—	—	—	—	(1,696,382)	—	—	—	—	—
Other revenue	127,493	39	1,718	9,420	—	—	—	138,670	16	10,706	10,722	149,392
Segment results	141,110	46,112	117,843	22,760	—	—	—	327,825	12,546	47,984	60,530	388,355
Interest income								9,709			7,115	16,824
Unallocated gain								8,218			—	8,218
Loss on contribution to an existing subsidiary								(2,121)			—	(2,121)
Finance costs								(132,636)			(6,540)	(139,176)
Share of profits of associates	81,152	—	—	1,020	—	—	—	82,172	—	—	—	82,172
Profit before tax								293,167			61,105	354,272
Tax								(51,370)			(19,547)	(70,917)
Profit for the year								241,797			41,558	283,355
Assets and liabilities												
Segment assets	5,708,010	874,724	874,524	807,873	—	—	(397,836)	7,867,295	274,020	497,578	771,598	8,638,893
Interests in associates	569,831	—	—	49,690	—	—	—	619,521	8,185	—	8,185	627,706
Unallocated assets								800,018			133,899	933,917
Total assets								9,286,834			913,682	10,200,516
Segment liabilities	2,158,806	445,473	474,542	687,449	—	—	(397,836)	3,368,434	213,778	272,212	485,990	3,854,424
Unallocated liabilities								3,449,756			606	3,450,362
Total liabilities								6,818,190			486,596	7,304,786
Other segment information:												
Depreciation	158,141	29,897	9,507	16,946	—	—	—	214,491	955	661	1,616	216,107
Capital expenditure	381,663	137,386	34,869	76,212	—	—	—	630,130	2,426	1,022	3,448	633,578

6. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts during the year.

An analysis of other income and gains is as follows:#

	2006	2005
	HK$'000	HK$'000
Other income		
Agency commission	23,194	13,182
Bank interest income	18,220	15,182
Interest income from fellow subsidiaries	2,505	1,642
Government grants*	187,937	6,945
Compensation income	56,607	—
Rental of containers	6,541	8,102
Tax refund	26,725	—
Others	27,757	10,554
	349,486	55,607
Gains		
Gain on disposal of by-products and scrap items	27,308	47,433
Gain on partial disposal of an interest in a subsidiary	—	8,218
Gain on foreign exchange, net	58,478	63,176
	85,786	118,827
	435,272	174,434
Represented by:		
Other income and gains attributable to discontinued operations (note 11)	29,888	17,837
Other income and gains attributable to continuing operations reported in the combined income statement	405,384	156,597
	435,272	174,434

* Various government grants have been received for investments in certain provinces in Mainland China, for generating revenue in foreign currencies and for the sale of certain government subsidised products, which are available for industries or locations in which the Company's subsidiaries operate. In addition, pursuant to relevant notices issued by the Finance Bureau in the PRC for fuel ethanol producers, COFCO Bio-Energy (Zhaodong) Co., Ltd. (formerly known as China Resources (Heilongjiang) Alcohol Co., Ltd.) ("Zhaodong Bio-Energy") is entitled to a financial subsidy based on a fixed amount per metric ton of fuel ethanol produced and sold until the end of 2008. An amount of HK$176,566,000 (2005: Nil) in relation to such subsidy has been included in the government grants for the year. There are no unfulfilled conditions or contingencies relating to these grants.

\# The disclosures presented in this note exclude those amounts credited in respect of the discontinued operations.

7. PROFIT BEFORE TAX

The Group's profit before tax is determined after charging/(crediting):#

	2006	2005
	HK$'000	HK$'000
Cost of inventories sold	18,642,694	15,385,172
Provision against inventories	2,542	2,563
Realised fair value gains of derivative instrument transactions not qualifying as hedges	(115,677)	(65,491)
Unrealised fair value losses/(gains) of derivative instrument transactions not qualifying as hedges	11,966	(11,382)
Cost of sales	18,541,525	15,310,862
Depreciation	310,217	216,107
Minimum lease payments under operating leases in respect of land, buildings and steel barrels	23,283	14,538
Recognition of prepaid land premiums	8,453	5,923
Auditors' remuneration	2,550	650

	2006 *HK$'000*	2005 *HK$'000*
Employee benefits expenses (excluding directors' remuneration):		
Wages and salaries	217,814	158,430
Pension scheme contributions	15,927	13,331
	233,741	171,761
Foreign exchange differences, net	(58,478)	(63,176)
Impairment of receivables	478	1,138
Loss on disposal of items of property, plant and equipment	13,257	594
Impairment of items of property, plant and equipment	2,193	—
Loss on additional contribution to an existing subsidiary	—	2,121
Loss on disposal of a subsidiary	2,241	—

\# The disclosures presented in this note include those amounts charged/credited in respect of the discontinued operations.

8. FINANCE COSTS

	2006 *HK$'000*	2005 *HK$'000*
Interest on:		
Bank loans wholly repayable within five years	153,194	91,537
Loans from the ultimate holding company, immediate holding company and a fellow subsidiary	74,059	47,639
Total interest	227,253	139,176
Less: Interest capitalised	(7,597)	—
	219,656	139,176
Attributable to discontinued operations (note 11)	19,193	6,540
Attributable to continuing operations reported in the combined income statement	200,463	132,636
	219,656	139,176

9. TAX

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2006 *HK$'000*	2005 *HK$'000*
Current		
— Mainland China	118,465	49,103
Deferred	11,133	2,267
	129,598	51,370

10. DIVIDENDS

No dividend has been paid or declared by the Company since its incorporation. The dividends payable by the companies now comprising the Group to their then shareholders during the year were as follows:

	2006 *HK$'000*	2005 *HK$'000*
Shanghai COFCO Brewing Materials Co., Ltd.	2,239	—
COFCO Oils & Fats Holdings Limited	—	28,000
COFCO (BVI) No. 1 Limited	357,506	116,000
Shenzhen Nantian Oilmills Co., Ltd.	2,339	—
	362,084	144,000

11. DISCONTINUED OPERATIONS

Pursuant to the Reorganisation as detailed in note 1 to this announcement, the Group discontinued its consumer-pack edible oil and trading of non-rice foodstuffs businesses. The transaction was completed on 31 December 2006.

The results of the consumer-pack edible oil and the trading of non-rice foodstuffs businesses for the year are presented below:

	2006 *HK$'000*	2005 *HK$'000*
Revenue	2,384,001	2,487,260
Cost of sales	(2,034,828)	(2,210,201)
Gross profit	349,173	277,059
Other income and gains (note 6)	29,888	17,837
Expenses	(270,114)	(227,251)
Finance costs (note 8)	(19,193)	(6,540)
Profit before tax from the discontinued operations	89,754	61,105
Tax related to pre-tax profit	(25,213)	(19,547)
Profit for the year from the discontinued operations	64,541	41,558
Attributable to:		
Equity holders of the Company	45,927	39,632
Minority interests	18,614	1,926
	64,541	41,558

As no assets and liabilities of the consumer-pack edible oil and the trading of non-rice foodstuffs businesses will be disposed of by the Group, neither assets nor liabilities of the consumer-pack edible oil and the trading of non-rice foodstuffs businesses was classified as held for sale.

Pro forma basic earnings per share from the discontinued operations	HK1.7 cents	HK1.4 cents

The calculation of basic earnings per share from the discontinued operations is based on the combined profit attributable to ordinary equity holders of the Company from discontinued operations of HK$45,927,000 (2005: HK$39,632,000), and on the assumption that 2,791,383,356 (2005: 2,791,383,356) shares had been in issue throughout the year.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share for the year is based on the combined profit attributable to ordinary equity holders of the Company for the year of HK$755,416,000 (2005: HK$254,879,000), and on the assumption that 2,791,383,356 (2005: 2,791,383,356) shares had been in issue throughout the year.

The calculation of basic earnings per share from the continuing operations is based on the combined profit attributable to ordinary equity holders of the Company from continuing operations of HK$709,489,000 (2005: HK$215,247,000), and on the assumption that 2,791,383,356 (2005: 2,791,383,356) shares had been in issue throughout the year.

A diluted earnings per share amount for the year ended 31 December 2006 has not been disclosed as no diluting events existed during that year (2005: Nil).

13. ACCOUNTS AND BILLS RECEIVABLE

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. Accounts receivable are non-interest-bearing.

An aged analysis of the accounts and bills receivable at the balance sheet date is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Outstanding balances with ages:		
Within three months	1,041,689	731,826
Four to twelve months	3,999	19,513
One to two years	1,230	5,590
Over two years	1,369	38
	1,048,287	756,967
Less: Impairment	(2,602)	(5,178)
	1,045,685	751,789

The carrying amounts of the accounts and bills receivable approximate to their fair values.

14. DEFERRED INITIAL PUBLIC OFFERING EXPENSES

The deferred initial public offering expenses were incurred for the purpose of the Company's new listing. Subsequent to the listing of the Company's shares on the Stock Exchange on 21 March 2007, the whole amount has been charged to the Company's share premium account.

15. ACCOUNTS AND BILLS PAYABLE

An aged analysis of the accounts and bills payable at the balance sheet date is as follows:

	2006 *HK$'000*	2005 *HK$'000*
Outstanding balances with ages:		
Within three months	867,397	503,035
Four to twelve months	6,557	7,095
One to two years	335	194
Over two years	274	789
	874,563	511,113

The accounts payable are non-interest-bearing and are normally settled on 90-day terms. The carrying amounts of the accounts payable approximate to their fair values.

16. OPERATING LEASE ARRANGEMENTS

As lessee

The Group leases certain of its office properties and steel barrels under operating lease arrangements. Leases for office properties are negotiated for terms ranging from one to fifteen years and those for steel barrels for terms ranging from one to eleven years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2006 *HK$'000*	2005 *HK$'000*
Within one year	13,154	11,306
In the second to fifth years, inclusive	7,770	12,898
After five years	1,204	1,004
	22,128	25,208

17. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 16 above, the Group had the following capital commitments at the balance sheet date:

	2006 *HK$'000*	2005 *HK$'000*
Capital commitments in respect of property, plant and equipment:		
Authorised, but not contracted for	383,308	236,111
Contracted, but not provided for	822,119	163,422
	1,205,427	399,533

18. OTHER COMMITMENTS

Commitments under futures contracts:

	2006 *HK$'000*	2005 *HK$'000*
Sales of soybean meal	873,943	80,119
Sales of soybean	298,992	127,134

Other than disclosed above, the Group did not have any significant commitments or contingent liabilities as at the balance sheet date (2005: Nil).

19. POST BALANCE SHEET EVENTS

Save as disclosed in note 1 to this announcement in relation to the Reorganisation, the Group has the following post balance sheet events:

(a) In connection with the Company's initial public offering, 697,846,000 new shares of HK$0.1 each were issued at a price of HK$3.72 per share for a total cash consideration, before expenses, of approximately HK$2,595,987,000. Dealings in these shares on the Stock Exchange commenced on 21 March 2007.

(b) In connection with the Company's initial public offering, an over-allotment option was granted to the Global Coordinator (as defined in the Prospectus) whereby the Global Coordinator, on behalf of the International Purchaser (as defined in the Prospectus) has the right to request the Company to issue and allot up to an aggregate of 104,677,000 additional shares of HK$0.1 each to subscribers under the initial public offering. On 26 March 2007, the Global Coordinator had exercised the over-allotment option and accordingly, 104,677,000 new shares of HK$0.1 each was issued by the Company at a price of HK$3.72 per share for a total cash consideration, before expenses, of approximately HK$389,398,000. Dealings in these shares on the Stock Exchange commenced on 30 March 2007.

(c) On 12 January 2007, the Company conditionally adopted a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors and other employees of the Group. The Scheme became unconditional and effective upon listing of the shares of the Company on 21 March 2007 and, unless otherwise cancelled, amended or terminated in accordance with the Scheme, will remain in force for 10 years from that date.

(d) During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC CIT Law ("the New CIT Law") was approved and will become effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the CIT rate for domestic-invested and foreign-invested enterprises at 25%. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New CIT Law to the Group cannot be reasonably estimated at this stage.

MANAGEMENT DISCUSSION AND ANALYSIS

The financial year of 2006 has proven to be a good starting year for our Group. Amid the reinforcement of the newly joined biofuel & biochemical business and the outstanding performance of all our existing businesses, our Group's revenue for continuing operations increased 29.6% year-on-year to HK$17,899 million and profit attributable to equity holders of the Company reached record level to HK$755 million, up 196.4% from a year earlier.

Oilseed processing business was both the largest revenue and net profit contributor to our company. The overwhelming performance of the oilseed processing business was mainly driven by an increase in selling prices of edible oil, particularly in the fourth quarter of 2006, and an increase in sales volume of major product lines during the year. Owing to the exceptional performance of the oilseed business during the year, the segment results of oilseed business edged up 5% to 48% even though the newly acquired biofuel & biochemical business accounted for another 24% of the total segment results for continuing operations. It is worthwhile to note that consumer-pack edible oil and non-rice trading businesses have been carved out from the Group from 1 January 2007 onwards.

BUSINESS REVIEW AND OUTLOOK

Oilseed processing business

We are the second largest edible oils and soybean meal producer in the PRC with annual crushing and refining capacity of approximately 4.9 million and 1.2 million metric tons. Our majority owned oilseed production facilities are located strategically along the coastal regions and the Yangtze River in which we are able to source domestic and import raw materials in a more cost effective manner.

Our oilseed processing division processes soybeans, rapeseeds, cottonseeds, peanuts, other oilseeds and palm oil into bulk edible oils, specialty oils and fats, oilseed meals and other products. We sell our products primarily under the "四海" and "喜盈盈" brands. Our major customers include large food manufacturers such as Unilever Foods (China) Ltd and top-tier food service providers, including Inner Mongolia Yili Industrial Group, Tingyi, WantWant Group, Pepsi Foods (China) and Guangzhou Uni-President Enterprises Corporation etc.

With a strong rebound from the adverse impact of the spread of avian flu in China in 2005, overall sales surged by 19.2% year-on-year in 2006. Bolstered by favorable edible oil pricing, lower raw materials cost, higher utilization rates and internal consolidation synergy, gross margin of the oilseed processing business increased from 2.9% in 2005 to 5.5% in 2006 which sparked the remarkable surge in profits for the oilseed business during the year.

Traditionally, China's edible oil industry suffers a number of pitfalls, including supply glut as well as mismatches between domestic end-product and international soybean price movement. Our top priorities remain in managing raw material costs and lifting the utilization rates of our production capacity. We will keep abreast to market information in a bid to mitigate price risk. For product distribution, we have made the eastern coastal region of China and central China our target markets and supported our distributors in developing sub-distributors in their regions and in distributing our products to rural and more remote areas.

Other than that, we have been partnering a number of academic institutions to conduct research on oil product deep-processing technology and vitamin A-fortified edible oil production technology. Also, we have constantly surveyed on the eating habits of our customers in an effort to update ourselves on product development.

Going forward, as disclosed in the section headed "Business" of the Prospectus, we plan to complete our national network of oilseed processing production facilities by increasing our annual soybean processing capacity by 600,000 metric tons, our annual soybean oil refining capacity by 300,000 metric tons and our annual palm oil production capacity by 120,000 metric tons.

Biofuel and biochemical business

We acquired a 100% interest in Zhaodong Bio-Energy on 27 January 2006 and 20% interest in Jilin Fuel Ethanol Co., Ltd. ("Jilin Fuel") in March 2006. We currently produce fuel ethanol, consumable ethanol, anhydrous ethanol and other food and feed ingredients.

Corn is the key raw material for our production and we are able to procure corn at lower prices because our production facilities are located in corn production areas and we purchase approximately 50% of the corn directly from farmers which save us from logistic and agency costs. We are able to fix the purchase prices in advance and secure stable supply by entering into contracts with grain depots and warehouse.

The spike of the corn prices in late 2006 placed pressures on our bottom line, however, we are trying to alleviate the strains through a number of measures, including purchase prices fixing and shifting the burden to our customers. In the longer term, we are dedicated to diversifying our feedstock for fuel ethanol production in order to accomplish our hyper growth plan. Furthermore, we are in talks with the regulatory bodies to establish a fuel ethanol pricing and subsidy mechanism linking with the gasoline and feedstock prices in a bid to stabilise the profit margins of our business.

We are in the process of increasing the consumable ethanol production capacity of our plant in Heilongjiang and there is a number of fuel ethanol projects scheduled to start production in the next few years. Under our current plan, our fuel ethanol production capacity will increase from 180,000 metric tons in 2006 to 1.08 million metric tons by 2008. The Company may seek alliance with upstream suppliers and downstream customers for business development.

Apart from this, we also plan to engage in biochemical business in which we believe it is a natural extension of our existing business. Two plants located in Yushu and Gongzhuling of Jilin Province, each has 600,000 metric tons corn processing capacity, are scheduled to start operation in mid 2007. This enables us to produce and sales of starch, sweeteners (mainly maltodextrin, fructose syrup and malt syrup), amino acid, lactic acid and polylactic acid, feed ingredients and crude corn oil. We also consider stretching our reach in Eastern China region by investing in greenfield projects or pursuing selective acquisitions.

Under our assertive business plan, we believe biofuel & biochemical division will gradually outpace oilseed processing division and become our largest profit contributor in the foreseeable future.

Rice trading and processing business

We are China's largest rice exporter in terms of volume and we primarily engage in trading of parboiled and white rice. We export parboiled rice to the Middle East, Africa, Eastern Europe, Central Asia and the Americas while we sell white rice to major traditional markets such as Japan, South Korea, Hong Kong, Central America, South Pacific Islands, Africa and Southeast Asia.

We own the only parboiled rice processing facility in China, which is also one of the largest in Asia in terms of production capacity. Parboiled rice, which is widely accepted as a healthy and natural food in the United States, Europe and the Middle East, is produced from long grain paddy from Southern China.

Revenue, primarily driven by robust sales volume growth, jumped 57.2% year-on-year in 2006. Gross margin fell to 8.7% from 11.4% a year earlier, mainly due to the development of low-end market which yielded lower profit margins, an increase of raw material costs and the appreciation of RMB.

Despite continuous exploration of overseas market, we are in the process of developing the domestic market. We have established or are planning to establish sales office in Nanjing, Shanghai and Xinjiang, targeting the Yangtze River Delta and Xinjiang Province as our primary market. In addition, we are conducting research on blended rice, which is a mixture of different types of rice at given ratios to yield different nutritional values and cater different customer tastes, in our Beijing R&D department and expect to introduce this product to the domestic market in the first half of 2007.

For capacity expansion, we plan to build or acquire a rice processing facility to add another 300,000 metric tons rice processing capacity in the coming few years.

Brewing business

We primarily engage in the production of malt and the trading of malting barley. Our malt production facility in Dalian is the nation's largest single malt production facility and our malt products are well recognized by the premium beer breweries in China. Our key customers include Tsingtao, Yanjing, Budweiser, San Miguel, Snow, Kirin, Blue Ribbon and Asahi etc. Despite domestic sales, we export a small portion of our products to Russia, South Korea, Vietnam and Hong Kong.

Revenue edged up slightly by 1.6% to HK$878.8 million, attributed to an increase in sales of malt but offset by a markedly fall in the sales of malting barley. Sales volume of malt rose by 13.0% mainly to the capacity expansion of our Dalian plant from 300,000 metric tones to 360,000 metric tones during the year. Since malt producers have started to procure their own brewing materials directly in recent year, the malting barley distribution market in China declined accordingly.

Gross margin rose from 13.3% in 2005 to 18.0% in 2006 due to an upgrade of our production techniques and a fall in raw material costs. In a bid to capture the growth opportunity of malt demand spurred by the surge of beer consumptions, we are currently constructing a new malt production plant in Jiangyin, Jiangsu Province. The production facility will have two lines which have a production capacity of 120,000 and 200,000 metric tons, scheduling to commence production in the first half of 2007 and late 2008 respectively. Besides, we also plan to build a new malt production facility in Southern China and it is expected to add another 120,000 metric tons of annual malt capacity by late 2009. By strategically locating our production facilities in Northeast, Eastern and Southern China, we are able to better serve our customers in the key beer markets in China.

Wheat processing business

We are one of the largest wheat processors in China and we primarily engage in the processing and sale of a broad range of flour and noodles. Our flour are currently marketed under a number of brands, including "東大", "香雪" and "神象" etc. Our nine majority-owned processing facilities are located in Yangtze River Delta, Northeastern, Northern and Central China region, targeting to serve customers nationwide. Our major customers included Danone, Nabisco, Tingyi and Hualong, as well as hyper-markets and chain retailers like Carrefour, Wal-mart and Holiland etc.

Revenue rose by 6.2% year-on-year which was mainly driven by an increase in sale volume during the year. During the year, we received an amount of HK$56.6 million of government compensation for the reallocation of our two wheat processing plants as required by the new zoning plan of the city. The compensation was recorded as other income and gains.

The flour industry in China is large but fragmented. It has been in the process of consolidation for several years due to excess capacity. The total number of wheat processors has reduced significantly while the total number and market share of large wheat processors have increased. To enhance our competitiveness and yield better margins, we are adjusting our product mix and strengthening our marketing endeavors. We have formed strategic partnerships with Hakubaku to produce high-end noodle products, and with Toyota Tsusho individually to supply top-quality frozen dough and bakery products. In addition, we also consider launching a range of high-quality semi-dried and non-dried noodle products which yield higher margins.

As part of our endeavors to enhance our brand prominence, we are in the process of unifying our product brands and tend to distribute most of our products under "香雪" brand in the future. We have also divided the entire country into five regions, namely Northeastern region, Beijing-Tianjin-Tangshan region, Central region, Yangtze River Delta region and Pearl River Delta region and a sales team is designated in each region for product marketing and distribution.

As disclosed in the section headed "Business" of the Prospectus, we also plan to grow our business through capacity expansion and we plan to add an additional of 360,000, 30,000 and 3,000 metric tons of wheat processing capacity, noodles production capacity and bakery products production capacity by 2008 respectively. We are currently in the process of acquiring a 150,000 metric tons wheat processing facility in Luohe of Henan Province, in which we expect it will start its operations in 2007.

LIQUIDITY AND FINANCIAL RESOURCES

The equity attributable to equity holders of the Company as at 31 December 2006 were HK$5,969 million, a 200% increase from HK$1,992 million for the financial year of 2005. The increase in shareholders' equity was attributed to the inclusion of biofuel and biochemical business, strong operating performance and the capitalisation of an amount of HK$2,103 million interest-free shareholders' loans during the year.

In terms of available financial resources as at 31 December 2006, the Group had total available cash and bank deposits (including pledged deposits) of HK$1,301 million. Out of the Group's total borrowings of HK$5,368 million as at 31 December 2006, HK$3,303 million (approximately 62%) was repayable within one year, HK$598 million (approximately 11%) was repayable within two years and HK$1,467 million (approximately 27%) was repayable within three to five years. As at 31 December 2006, the Group's pledged assets with aggregate carrying value of HK$1,206 million (2005: HK$1,125 million) to secure bank loans and facilities of the Group.

As at 31 December 2006, the net gearing ratio for the group was 57%, based on net debt of HK$4,067 million and shareholders' equity of HK$7,089 million. The Group services its debts primarily with recurring cash flow generated from its stable operation. Together with the proceeds raised in connection with the Company's initial public offering in late March 2007, the Board is confident that the Group has adequate financial resources to support its working capital requirement, future expansion and meet its future debt repayment requirements.

NET CURRENT ASSETS

With improved capital structure and operating cash flow, the Group's net current liabilities of HK$992 million for the financial year of 2005 had turned into a net current asset of HK$1,595 million as at 31 December 2006.

CAPITAL COMMITMENTS AND CONTINGENCIES

Up to 31 December 2006, the future capital expenditure for which the Group had contracted but unprovided for and authorised but not yet contracted amounted to approximately HK$1,205 million.

As at 31 December 2006, other than an amount of HK$1,173 million of commitments under futures contracts for the sales of soybean and soybean meal, the Group had no other material commitments and contingent liabilities.

HUMAN RESOURCES

As at 31 December 2006, excluding its associates and jointly controlled entity, the Group employed approximately 10,900 people in Mainland China and Hong Kong. The Group's employees are remunerated according to the nature of job, individual performance and market trends with built-in merit components. Employees in Hong Kong receive retirement benefits, mostly in the form of a Mandatory Provident Fund entitlement, and similar scheme is offered to employees in Mainland China.

DIVIDENDS

The Board does not recommend the payment of dividend for the year ended 31 December 2006.

REGISTER OF MEMBERS

The Register of Members of the Company will not be closed.

CODE ON CORPORATE GOVERNANCE PRACTICES

In the opinion of the Board, since the Company was incorporated on 18 November 2006 and the Code on Corporate Governance Practices (the "Code") was adopted by the Company on 16 February 2007 prior to listing, the Code provisions as set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") for the financial year ended 31 December 2006 were inapplicable to the Company. If the Code provisions were applicable to the Company for the period under review, the Company would deviate from Code provisions A.1.1, A.4.2 and C.2.1.

Notwithstanding the above, the Company has set out details of compliance with the Code in the corporate governance report in the 2006 Annual Report.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has not yet adopted the Model Code for Securities Transactions by Directors of Listing Issuers (the "Model Code") in Appendix 10 to the Listing Rules during the period under review but has adopted the Model Code in February 2007. Having made specific enquiries of all directors, each of them confirmed that they complied with the required standards as set out in the Model Code from the date of listing up to the date hereof.

NOMINATION COMMITTEE

A nomination committee was established by the Company in February 2007 with specific written terms of reference in accordance with the requirements of the Code. The nomination committee comprises two independent non-executive directors and one non-executive director.

REMUNERATION COMMITTEE

A remuneration committee was established by the Company in February 2007 with specific written terms of reference in accordance with the requirements of the Code. The remuneration committee comprises two independent non-executive directors and one non-executive director.

AUDIT COMMITTEE

The terms of reference of the audit committee was established by the Company in February 2007 with specific written terms of reference in accordance with the requirements of the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group and to review the Company's interim and annual reports and financial statements. The audit committee comprises two independent non-executive directors and one non-executive director.

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed auditing, internal control and financial report matters including the review of the audited financial statements for the year ended 31 December 2006.

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

Since the Company was not yet listed during the period under review, the Company or any of its subsidiaries could not purchase, redeem or sell any of the Company's listed securities.

SCOPE OF WORK OF ERNST & YOUNG

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2006 have been agreed by the Group's auditors, Ernst & Young, to the amounts set out in the Group's combined financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF THE FINAL RESULTS AND ANNUAL REPORT

This results announcement is published on the websites of the Stock Exchange and the Company. It will also be published on Hong Kong Economic Journal, Hong Kong Economic Times, South China Morning Post and The Standard on April 20, 2007 (Friday). The 2006 Annual Report containing all the information required by paragraphs 45(1) to 45(8) of Appendix 16 to the Listing Rules will be published on the websites of the Stock Exchange and the Company as soon as practicable.

By Order of the Board
Ning Gaoning
Chairman

Hong Kong, 19 April 2007

As at the date of this announcement, our chairman of the Board and non-executive director is NING Gaoning, our executive directors are YU Xubo, LU Jun and YUE Guojun, our non-executive directors are CHI Jingtao and MA Wangjun, and our independent non-executive directors are LAM Wai Hon, Ambrose, SHI Yuanchun and Victor YANG.