Tiande Chemical Holdings Limited

天德化工控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 609)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2007

The board (the "Board") of directors (the "Directors") of Tiande Chemical Holdings Limited (the "Company") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2007 together with the comparative figures for the corresponding period in 2006 and selected notes as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2007	2006
	Note	**RMB'000**	RMB'000
		(unaudited)	(audited)
Turnover	4	**262,710**	233,999
Cost of goods sold		**(224,604)**	(189,265)
Gross profit		**38,106**	44,734
Other income	5	**2,666**	2,072
Selling expenses		**(9,317)**	(5,675)
Administrative expenses		**(11,100)**	(8,265)
Finance costs		**(1,634)**	(2,695)
Profit before tax		**18,721**	30,171
Income tax expense	6	**(697)**	(3,107)
Profit for the period attributable to equity holders of the Company	7	**18,024**	27,064

CONDENSED CONSOLIDATED INCOME STATEMENT(*continued*)

		Six months ended 30 June	
		2007	2006
	Note	**RMB'000**	RMB'000
		(unaudited)	(audited)
Earnings per share – basic	9	**RMB0.045**	RMB0.090

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	**30 June 2007 RMB'000 (unaudited)**	31 December 2006 RMB'000 (audited) (As restated)
Non-current assets			
Property, plant and equipment	10	**311,900**	267,593
Prepaid lease payments		**67,140**	66,601
Investment properties		**9,020**	5,830
Deposit for acquisition of property, plant and equipment		**11,620**	5,194
Deferred tax assets		**829**	524
		400,509	345,742
Current assets			
Inventories		**28,196**	28,612
Trade and other receivables	11	**83,447**	92,455
Pledged bank deposits		**170**	1,777
Bank and cash balances		**23,825**	36,899
		135,638	159,743
Current liabilities			
Trade and other payables	12	**99,882**	86,841
Current tax liabilities		**1,263**	1,869
Bank borrowings	13	**37,740**	20,140
		138,885	108,850
Net current (liabilities)/assets		**(3,247)**	50,893
Total assets less current liabilities		**397,262**	396,635

CONDENSED CONSOLIDATED BALANCE SHEET(*continued*)

	Note	30 June 2007 RMB'000 (unaudited)	31 December 2006 RMB'000 (audited) (As restated)
Non-current liabilities			
Bank borrowings	13	**54,640**	62,160
Deferred tax liabilities		**842**	440
Deferred income		**18,658**	30,115
		74,140	92,715
NET ASSETS		**323,122**	303,920
Capital and reserves			
Share capital		**4,031**	4,031
Reserves		**319,091**	299,889
TOTAL EQUITY		**323,122**	303,920

SELECTED NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. CHANGE IN ACCOUNTING POLICY

HKAS 40 "Investment Property" requires an investment property to be accounted for using the cost model or the fair value model. The Group decided to change from the cost model to the fair value model to account for its investment properties starting from current interim period, which requires gains or losses arising from changes in the fair value of investment properties to be recognised directly in the income statement for the period in which they arise. In contrast, cost method requires investment properties to be stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. The change in accounting policy has been applied retrospectively to the Group's financial statements.

The following is a summary of the impact to the Group's financial statements in respect of the above-mentioned change in accounting policy:

Increase/(Decrease)	30 June 2007 RMB'000	31 December 2006 RMB'000
Investment properties	3,880	2,936
Deferred tax liabilities	582	440
Accumulated profits	3,298	2,496

	Six months ended 30 June	
	2007 RMB'000	2006 RMB'000
Other income	860	-
Deferred tax expenses	142	-
Depreciation	(84)	-
Profit for the period	802	-
Earnings per share – basic (RMB)	0.002	-

3. PRINCIPAL ACCOUNTING POLICIES

The accounting policies and basis of preparation used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the annual accounts for the year ended 31 December 2006 except for investment properties as mentioned above.

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

In the current interim period, the Group has adopted all new and revised Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA which are relevant to its operations and effective for accounting periods beginning on or after 1 January 2007. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current year and prior years.

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

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC)-Int-11 HKFRS 2	Group and Treasury Share Transactions[2]
HK(IFRIC)-Int-12	Service Concession Arrangements[3]

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

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

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

4. TURNOVER AND SEGMENT INFORMATION

(a) Turnover

Turnover represents the amount received and receivables for goods sold during the period.

(b) Business and geographical segments

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

Segment information regarding the Group's turnover by location of customers, irrespective of the origin of the services, being the primary format for reporting segment information of the Group, is presented below:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(audited)
Turnover		
People's Republic of China ("PRC")	**197,525**	174,213
Taiwan	**23,465**	25,674
United Kingdom	**9,084**	7,478
Japan	**8,488**	6,028
India	**10,406**	6,391
Others	**13,742**	14,215
	262,710	233,999
Segment results		
PRC	**25,339**	33,727
Taiwan	**2,942**	3,760
United Kingdom	**1,205**	1,114
Japan	**1,729**	1,067
India	**2,362**	1,374
Others	**2,365**	2,838
	35,942	43,880
Unallocated other corporate revenue	**2,666**	2,072
Unallocated corporate expenses	**(18,253)**	(13,086)
Finance costs	**(1,634)**	(2,695)
Profit before tax	**18,721**	30,171
Income tax expense	**(697)**	(3,107)
Profit for the period attributable to equity holders of the Company	**18,024**	27,064

5. OTHER INCOME

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(audited)
Government grants (*Note*)	**458**	1,103
Rental income	**270**	175
Interest income	**197**	232
Scrap sales	**-**	61
Fair value gain on investment properties	**1,220**	-
Other	**521**	501
	2,666	2,072

Note: The amounts mainly represent the grants given by (i) the Finance Bureau of Shanghai Pudong New District 上海市浦東新區財政局 to the Group for the encouragement of purchase of real estate in Pudong, Shanghai, the PRC, (ii) the Management Committee of Weifang Economic and Technology Development District 濰坊市經濟技術開發區管委會 to the Group as finance subsidy for the encouragement of investment in Weifang City of Shandong Province, the PRC and (iii) the Finance Bureau of Weifang Economic and Technology Development District 濰坊市經濟技術開發區財政局 to the Group as a subsidy for the high technology development.

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(audited)
Current tax:		
PRC enterprise income tax	**600**	3,107
Deferred tax	**97**	-
	697	3,107

The provision for PRC Enterprise Income Tax is based on the estimated taxable income for PRC taxation purposes at the rate of taxation applicable to each period.

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

Taxation charge mainly consists of enterprise income tax in the PRC attributable to the assessable profits of Weifang Common Chem Co., Limited 濰坊同業化學有限公司 ("Weifang Common") and Shanghai Dehong Chemical Company Limited 上海德弘化工有限公司 ("Shanghai Dehong") charged at the rate of 24% and 15% respectively. The taxation charge is calculated at the applicable rates prevailing in the PRC.

Weifang Common and Weifang Parasia Chem Co., Limited 濰坊柏立化學有限公司 ("Weifang Parasia") are eligible for certain tax holidays and concessions in the PRC. The tax holiday and concession are in the form of two years tax exemption from the first profitable year, followed by a 50% reduction of the applicable tax rate in the following three years. Weifang Common was tax exempted in year 2001 and 2002. From 2003 to 2005, the reduced tax rate for the relief period for Weifang Common is 12%. As an advance technology enterprise, Weifang Common is also granted with an extension of tax holiday for 2006 and 2007, at a reduced tax rate of 12%. No provision for PRC income tax has been made for Weifang Parasia as it was the second profitabe year and tax exempted. Shanghai Dehong is subject to Enterprise Income Tax at the rate of 15%, being the preferential tax rate in Shanghai Pudong New District.

For the six months ended 30 June 2007, the Group has unused tax losses of RMB4,235,000 (six months ended 30 June 2006: Nil) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately RMB2,541,000 (six months ended 30 June 2006: Nil) of such losses. Included in unrecognised tax losses at 30 June 2007 are losses of approximately RMB1,694,000 (six months ended 30 June 2006: Nil) that will expire in 2012.

In 2006, Weifang Binhai Petro-Chem Co., Ltd. 濰坊濱海石油化工有限公司 ("Weifang Binhai") obtained a government grant for subsidising the construction of the production lines and ancillary facilities for the manufacture of high purity isobutylene, polyisobuylene and mono chloro acetic acid. The grant received was recognised as a deferred income as at 31 December 2006 with no income recognised in the income statement for the year ended 31 December 2006. Pursuant to the document issued by the local tax authority, the grant shall be recognised to the cost of property, plant and equipment after the completion of construction in relation to the specific production lines. For the six months ended 30 June 2007, partial amount of the grant of appoximately RMB10,799,000 was recognised to the cost of property, plant and equipment for the completion of construction of high purity isobutylene.

The new PRC enterprise income tax law passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law will be effective from 1 January 2008. The impact of the new tax law on the Group's consolidated financial statements will depend on the detailed implementation rules and regulations which however have not been issued as of the date of the approval of these consolidated financial statements. Therefore, the Group cannot reasonably estimate the financial impact of the new enterprise income tax law to the Group at this stage.

7. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging the followings:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(audited)
Directors' remuneration		
Fees	**157**	-
Others emoluments	**1,260**	251
Pension costs	**12**	13
	1,429	264
Other staff costs	**9,881**	5,906
Pension costs	**466**	318
Total staff costs	**11,776**	6,488
Depreciation		
- property, plant and equipment (net of Government grants)	**10,197**	6,919
- investment property	**-**	84
	10,197	7,003
Prepaid lease payments charged to income statement	**744**	210
Allowance for bad and doubtful debts	**1**	73
Allowance for inventories	**-**	59
Cost of inventories recognised as expenses	**222,180**	186,952
Loss on disposal of property, plant and equipment	**-**	16

8. DIVIDEND

The Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2007. (six months ended 30 June 2006: Nil)

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(unaudited)	(audited)
Profit for the period attributable to equity holders of the Company	**18,024**	27,064

	Number of ordinary shares as at	
	30 June 2007	30 June 2006
Weighted average number of ordinary share for the purpose of basic earnings per share	**400,000,000**	300,000,000

For the purpose of the calculation of basic earnings per share, the weighted average number of 300,000,000 shares in issue was assumed as if the Group Reorganisation had taken place on 1 January 2006.

There was no diluted earnings per share for the six months ended 30 June 2007 and 2006 as there were no potential dilutive shares.

10. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group acquired property, plant and equipment of approximately RMB66 million.

11. TRADE AND OTHER RECEIVABLES

Trade and other receivables include trade and bills receivables of approximately RMB77,152,000 (31 December 2006: RMB87,175,000). The Group allows a credit period normally ranging from one month to six months to its trade customers. The bills receivables are of the age within six months at both balance sheet dates. An aged analysis of the Group's trade and bills receivables is as follows:

	30 June 2007 RMB'000 (unaudited)	31 December 2006 RMB'000 (audited)
0 - 90 days	**68,688**	81,651
91 - 180 days	**3,708**	5,191
181 - 365 days	**4,756**	333
	77,152	87,175

12. TRADE AND OTHER PAYABLES

Trade and other payables include trade and bills payables of approximately RMB53,282,000 (31 December 2006: RMB40,627,000). An aged analysis of the Group's trade and bills payables is as follows:

	30 June 2007 RMB'000 (unaudited)	31 December 2006 RMB'000 (audited)
0 - 90 days	**39,649**	31,648
91 - 180 days	**7,591**	8,751
181 - 365 days	**5,829**	212
Over 1 year	**213**	16
	53,282	40,627

13. BANK BORROWINGS

	30 June 2007 RMB'000 (unaudited)	31 December 2006 RMB'000 (audited)
Bank loans repayable:		
On demand or within one year	**37,740**	20,140
In the second year	**30,340**	24,440
In the third to fifth year inclusive	**24,300**	37,720
	92,380	82,300
Less: Amount due within one year shown as current liabilities	**(37,740)**	(20,140)
Amount due after one year	**54,640**	62,160

All bank borrowings are denominated in Renminbi. Short-term and long-term bank borrowings are arranged at fixed interest rates ranged from 6.33% to 7.43% (31 December 2006: 5.58% to 7.61%) exposing the Group to fair value interest rate risks and are secured by property, plant and machinery, investment properties and the Group's interest in leasehold land under prepaid lease payments.

Subsequent to the year ended 31 December 2005, Weifang Tianhong Corporate Management and Consultancy Company Limited ("Weifang Tianhong") in which the Directors, namely, Mr. Liu Hongliang, Mr. Wang Zijiang, Mr. Guo Xitian and Mr. Guo Yucheng have beneficial interests, provided certain securities to the Group's banker to secure the short-term bank borrowings granted to the Group. The securities provided by Weifang Tianhong to the Group's banker was released in September 2006.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATING RESULTS

For the six months ended 30 June 2007, the Group recorded a remarkable growth of the turnover even though its product price was adjusted downward since the keen market competition. The turnover reached approximately RMB262.7 million, representing an increase of 12.3 % compared to the corresponding period last year. The growth was mainly due to the contribution of new products such as sodium cyanide, cyanoacetate and high purity isobutylene, in addition to the substantial growth of methyl cyanoacetate and diethyl malonate.

Despite a health growth of the turnover and the overall unit cost was decreased by 3.5% when compared with the corresponding period last year, the open market price of some of the products was decreased during the period under review. The overall gross profit margin recorded a decrease of 4.6% point to 14.5% when compared with 19.1% in the corresponding period last year.

The Group's selling and distribution expenses increased by 64.2% or approximately RMB3.6 million during the first six months of 2007, mainly due to the increase in freight costs and sales commission. General and administrative expenses also increased by 34.3% or approximately RMB2.8 million over the corresponding period last year as a result of the business expansion and start-up operating costs of new production plant.

During the period under review, the investment properties of the Group were classified as at fair value through profit or loss for which a net profit arising from changes in the fair value of approximately RMB0.9 million was included in the income statement.

The profit attributable to equity holders of the Company was dragged down to approximately RMB18.0 million, representing a decrease of 33.4% when compared with approximately RMB27.1 million in the corresponding period last year. The net profit margin attributable to equity holders of the Company was 6.9%, representing a decrease of 4.7% as compared with 11.6% in the corresponding period last year.

Basic earnings per share amounted to RMB4.5 cents. (six months ended 30 June 2006: RMB9.0 cents per share).

BUSINESS REVIEW

In the first half of 2007, the Group adjusted its business strategy to extend its market shares. In result, the overall turnover was increased by 12.3% to approximately RMB262.7 million as compared with the corresponding period of last year. In spite of the cost of mono chloro acetic acid, one of the core raw materials, stood high during the period under review. Leveraging on the adoption of vertical integration production strategy, the overall cost of sales was still decreased by 3.5% as compared with the corresponding period last year. It is proven that the vertical integration production strategy is a right business direction to reduce the Group's reliance on the raw materials supply from the open market. However, the open market price of some of the products was decreased during the period under review, it was inevitably that the overall gross profit margin of the Group was adjusted downward.

Although the turnover was growth healthy and overall cost of sales was decreased, the overall financial performance of the Group was still adversely affected by (1) the open market price of some of the products was decreased leading to a lower gross profit margin, (2) the significant increase in distribution costs and a higher administrative expenses caused by the completion of construction for the new production lines, and (3) the profit contribution from the new products has not been fully reflected during the period under review. While it was alleviated by the profit from revaluation of investment properties, the profit attributable to equity holders of the Company was approximately RMB18.0 million, representing a decline of 33.4% from the corresponding period last year approximately RMB27.1 million.

The Group's overall business remains sound and well developed. The Directors believe that the temporary market adverse impact probably will be diminished in the second half of 2007. Besides, a number of new products of the Group will be launched very soon. The Group's overall financial performance is expected to be improved shortly.

The Group continued to focus on its business development strategies including (i) strengthening research and development capabilities; (ii) reinforcing sales channels and distribution network; (iii) advancement of production facilities for better efficiency; and (iv) expansion of product range.

The Group has acquired a piece of land and property for the development of a highly competent research and development professional centre in December last year. The Directors are pleased to report that the centre has been established and is now in operation. The aim of the centre is to enhance the quality of the existing products of the Group and improve the Group's production procedures as well as develop new potential products to bring new business opportunities to the Group.

With a view to increasing the Group's products acquaintance in the market and further enhance the market position of the Group and its corporate image, the Group has participated in the two fine chemical fairs held in Nanjing and Shanghai of the PRC during the period under review. The Group has also planned to take part in an influential fine chemical fair to be held in Europe in the fourth quarter of this year. The Group believes that the participation will uplift its international market status and it is also an initial step to directly open and expand the overseas market of the Group. It is also facilitate the marketing of the new products of the Group that will be launched in the second half of this year.

The Group has been continuously devoting more efforts in accelerating production technology advancement, maintaining premium products quality, improving products features, following its upward vertically integration production strategy and also maintaining its mass production strategy to achieve the advantage of economic of sales. During the period under review, the Group has expanded the production capacity of di-ethyl malonate to a capacity of 3,000 tons per annum to cope with the growing market demand. In addition, the trial production of methanol and high purity isobutylene was commenced in the first half of this year. The production of another new product, namely cyano acetic acid which is a core raw material for production of caffeine and used in wide range of varies pharmaceutical products, was also started in May 2007. The Group is convinced that the above new potential products will bring certain profit contribution to the Group in the second half of this year and coming future.

On top of that, the Group was also designated a committee to address and control the safety and environmental protection issue in order to achieving the lowest production and inherent risk operation. The Group believes that has a sufficient and efficient safety and environmental protection control will build a solid foundation for sustaining future development of the Group.

PROSPECTS

The Group has invested heavily in production infrastructure since 2005 to support the anticipated business growth. In August 2007, the construction of production lines for upstream products like, mono chloro acetic acid and hydrochloric acid which are the core raw materials of the Group was were completed and the production by the Group was commended immediately. Through the self-supply of such core raw materials, it can reduce the reliance on the raw materials supplied from the open market. The Directors have strong confident that the overall unit cost will be under well control and dropped continuously. It is expected that the competitiveness of the Group's products will be strengthened continuously and the Group's results will be getting better.

With the trial production of high purity isobutylene in the first half of 2007, the production of polyisobutylene will be scheduled in November 2007. The new product line will facilitate the diversification of the Group's products and bring a better return to the Group to counteract the effect of the operating expenses for the new production plant.

Despite the intensifying market competition, the Group will take various effective measures to improve profit margin, control sales and marketing spend, and develop new potential products to enhance the overall return to the shareholders.

Looking forward, the Group will adopt an optimization of production strategy, striving to introduce and develop more new potential products and deploy upward vertical integration of production to strengthen its competitive and in supporting further growth of the profitability. Besides, the Group will continue to streamline the production procedures, strengthen the capacity of each production process and improve its production techniques. Riding on such right business direction, with the strong foothold and extensive experience in the industry and also given the strengthen of the Chinese domestic market, the Directors are optimistic on the coming future growth of the Group.

FINANCIAL REVIEW

Liquidity and Financial Resources

For the six months ended 30 June 2007, the Group's primary source of funding was derived from the cash generated from operating activities and newly raised bank borrowings. The Group's cash resources have principally been used to pay for the acquisition of fixed assets, prepaid lease payment and repayment of bank borrowings.

The increase in net cash inflow from operating activities from approximately RMB10.4 million of corresponding period last year to approximately RMB49.1 million was primarily attributable to the decrease in trade and other receivables and the increase in trade and other payables. Besides, the new raised borrowings amounted to RMB20.3 million (six months ended 30 June 2006: RMB142.6 million) generated cash inflow from financing activities.

With the financial resources obtained from the Group's operations, the Group had invested approximately RMB72.2 million (six months ended 30 June 2006: RMB33.8 million) in the acquisition of the prepaid lease payments, property, plant and equipment, and repaid approximately RMB10.2 million (six months ended 30 June 2006: approximately RMB69.7 million) borrowings.

As at 30 June 2007, the Group had cash and bank deposits of approximately RMB24.0 million (31 December 2006: RMB38.7 million). The total amount of outstanding borrowings was approximately RMB92.4 million (31 December 2006: RMB82.3 million), in which short-term loans amounted to approximately RMB37.7 million and long-term loans amounted to approximately RMB54.7 million. The Group's gearing ratio which is represented by the ratio of total borrowings to total shareholders' equity, was approximately 28.6% (31 December 2006: 27.1%).

With the positive cash inflow from the Group's operations, its available banking facilities and existing cash resources, the Group will continue to maintain a health finance position to meet its working capital requirements, capital commitments and future investments for expansion.

Pledge of assets

As at 30 June 2007, the Group had approximately RMB0.2 million bank deposit (31 December 2006: approximately RMB1.8 million), which was pledged for bills facilities. Certain property, plant and equipment of the Group with an aggregate net book value of about RMB64.0 million (31 December 2006: approximately RMB63.6 million) and prepaid lease payments of approximately RMB59.0 million (31 December 2006: approximately RMB59.0 million) were pledged to secure the Group's bank borrowings.

Contingent Liabilities

As at 30 June 2007, the Group had no material contingent liabilities.

Exposure to Fluctuations in Exchange Rates

The Group's assets, liabilities, revenues and transactions are mainly denominated in Renminbi, Hong Kong dollars and United States dollars with its operation mainly in the PRC. Bank borrowings were denominated in Renminbi.

The Group's foremost exposure to the foreign exchange fluctuations was caused by the revaluation of Renminbi during the period under review. The Group's export sales were, in majority, denominated in United States dollars. Nevertheless, the Group has not experienced any material difficulties or effects on its operations or liquidity as a result of the fluctuations in currency exchange rates during the period.

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

During the six months ended 30 June 2007, neither the Company nor any of its subsidiaries had redeemed, purchased or sold any of the Company's listed shares.

CORPORATE GOVERNANCE PRACTICES

The Company has complied with all the code provision of the Corporate Governance Practices (the "CG Code") as set out in the Listing Rules during the six months ended 30 June 2007, except that there is no separation of the role of Chairman and chief executive officer ("CEO"), Mr. Liu Hongliang currently assumes the role of both the Chairman and general manager of the Company. In view of Mr. Liu's extensive experience in the industry and deep understanding of the Group's businesses, the Board believes that this structure provides the Group with strong and consistent leadership and allows for more effective and efficient business planning and decisions as well as execution of long term business strategies. As such, it is beneficial to the business prospects of the Company.

MODEL CODES FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED COMPANIES

The Company has adopted a code of conduct with standards not lower than those prescribed under the Model Code as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Upon enquiry by the Company, all Directors have confirmed that they have complied with the required standards as set out in the Model Code and the Company's code of conduct regarding securities transactions by Directors throughout the six months ended 30 June 2007.

The senior management, who, because of their office in the Company, are likely to be in possession of unpublished price sensitive information, have been requested to comply with the provisions of the Model Code and the Company's code of conduct regarding securities transactions by Directors.

AUDIT COMMITTEE

The Audit Committee of the Company comprises the three independent non-executive directors of the Company, namely Mr. Leung Kam Wan (Chairman of the Audit Committee), Mr. Guo Baoyu and Mr. Liu Chenguang. The Audit Committee has reviewed the accounting principles and practices adopted by the Company and discussed internal control and financial reporting matters with senior management relating to the preparation of the unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2007. There is no disagreement raised by the Audit Committee on the accounting treatment adopted by the Company during the period under review.

By Order of the Board
Liu Hongliang
Chairman

Hong Kong, 14 September 2007

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