



CASTEL

# CASIL TELECOMMUNICATIONS HOLDINGS LIMITED

## ( 航天科技通信有限公司 ) \*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code :1185)

### FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

#### RESULTS

The directors of CASIL Telecommunications Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2006 as follows:

#### CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	NOTES	2006 HK\$'000	2005 HK\$'000
<b>Continuing operations</b>			
Turnover	2	141,275	173,478
Cost of sales		<u>(134,495)</u>	<u>(111,785)</u>
Gross profit		6,780	61,693
Other income		20,775	2,914
Distribution costs		(9,458)	(9,355)
Administrative expenses		(74,795)	(46,665)
Impairment loss recognised in respect of intangible assets		(9,403)	—
Reversal of (allowance for) amount due from an associate		10,019	(27,633)
Finance costs	4	(9,370)	(5,803)
Share of results of associates		<u>(1,300)</u>	<u>(259)</u>
Loss before taxation		(66,752)	(25,108)
Taxation	5	<u>1,751</u>	<u>439</u>
Loss for the year from continuing operations		(65,001)	(24,669)
<b>Discontinued operation</b>			
Loss for the year from discontinued operation	6	<u>(224)</u>	<u>(4,695)</u>
Loss for the year	7	<u>(65,225)</u>	<u>(29,364)</u>

Attributable to:			
Equity holders of the Company		(64,562)	(29,781)
Minority interests		(663)	417
		<u>(65,225)</u>	<u>(29,364)</u>
Loss per share — Basic	8		
From continuing and discontinued operations		<u>HK(6.53) cents</u>	<u>HK(2.93) cents</u>
From continuing operations		<u>HK(6.50) cents</u>	<u>HK(2.47) cents</u>

## CONSOLIDATED BALANCE SHEET

At 31 December 2006

	NOTES	2006 HK\$'000	2005 HK\$'000
Non-current assets			
Property, plant and equipment		42,879	54,432
Goodwill		—	1,607
Intangible assets		9,800	33,634
Interest in associates		84,864	8,650
		<u>137,543</u>	<u>98,323</u>
Current assets			
Inventories		62,910	48,808
Trade and other receivables	10	92,615	165,873
Amounts due from related companies		15,291	15,291
Amounts due from associates		25,969	323
Pledged bank deposits		1,537	1,351
Bank balances and cash		81,777	22,387
		<u>280,099</u>	<u>254,033</u>
Current liabilities			
Trade and other payables	11	41,587	85,385
Amounts due to related companies		4,407	4,407
Amounts due to associates		13,365	—
Taxation		330	65
Borrowings — amount due within one year		97,350	98,998
		<u>157,039</u>	<u>188,855</u>
Net current assets		<u>123,060</u>	<u>65,178</u>
Total assets less current liabilities		<u>260,603</u>	<u>163,501</u>

Non-current liabilities		
Borrowings — amount due after one year	168,317	6,654
Deferred taxation	—	2,217
	<u>168,317</u>	<u>8,871</u>
	<u>92,286</u>	<u>154,630</u>
Capital and reserves		
Share capital	101,714	101,714
Reserves	(11,440)	50,283
	<u>90,274</u>	<u>151,997</u>
Equity attributable to equity holders of the Company	90,274	151,997
Minority interests	2,012	2,633
	<u>92,286</u>	<u>154,630</u>
Total equity	<u>92,286</u>	<u>154,630</u>

Notes:

## 1. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has applied, for the first time, a number of new Hong Kong Financial Reporting Standards (“HKFRS”s), Hong Kong Accounting Standards (“HKAS”s) and Interpretations (hereinafter collectively referred to as “new HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which are either effective for accounting periods beginning on or after 1 December 2005 or 1 January 2006. The application 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 is required.

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

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

- 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.

## 2. TURNOVER

Turnover represents the gross invoiced value of goods sold less discounts and sales related taxes, revenue from service contracts and gross rental income. An analysis of the Group's revenue for the year from continuing and discontinued operation is as follows:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Continuing operations		
Sales of goods	<b>134,690</b>	165,713
Revenue from service contracts	<b>6,585</b>	7,765
	<hr/>	<hr/>
	<b>141,275</b>	173,478
Discontinued operation		
Sales of goods	<b>14,924</b>	12,306
	<hr/>	<hr/>
	<b>156,199</b>	185,784
	<hr/> <hr/>	<hr/> <hr/>

## 3. BUSINESS AND GEOGRAPHICAL SEGMENTS

### (A) Business segments

For management purposes, the Group has been organised into the following divisions:

Communication Products, Intelligent Transportation Systems ("ITS"), Video Conference System, Broadband Wireless Access and Wind Energy Facilities. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Communication Products	—	manufacture and distribution of telecommunication products
ITS	—	development, manufacture, distribution and installation of global positioning system application products
Video Conference System ( <i>Note</i> )	—	development, manufacture, distribution and installation of video conference system

Broadband Wireless Access	—	development, distribution and installation of broadband system, equipment and accessories
Wind Energy Facilities	—	maintenance and operation of wind energy plants and facilities

*Note:* During the year, the Group has discontinued its operation in Video Conference System.

- (i) Segment information about these businesses for the year ended 31 December 2006 is presented below:

### Income statement

Consolidated	Communication Products	Continuing operations				Others Eliminations	Discontinued operation		
		ITS	Broadband Wireless Access	Wind Energy Facilities			Video Conference Total	System	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
<b>TURNOVER</b>									
External sales	<u>55,506</u>	<u>32,073</u>	<u>53,696</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>141,275</u>	<u>14,924</u>	<u>156,199</u>
<b>RESULT</b>									
Segment result	<u>4,503</u>	<u>(1,115)</u>	<u>(62,892)</u>	<u>(520)</u>	<u>(117)</u>	<u>—</u>	<u>(60,141)</u>	<u>582</u>	<u>(59,559)</u>
Unallocated corporate expenses							(13,851)	—	(13,851)
Unallocated corporate income							14,585	—	14,585
Gain (loss) on disposal and deemed disposal of subsidiaries							3,325	(684)	2,641
Finance costs							(9,370)	(77)	(9,447)
Share of results of associates	540	(671)	(723)	(446)	—	—	(1,300)	—	(1,300)
Loss before taxation							(66,752)	(179)	(66,931)
Taxation							1,751	(45)	1,706
Loss for the year							<u>(65,001)</u>	<u>(224)</u>	<u>(65,225)</u>

- (ii) Segment information about these businesses for the year ended 31 December 2005 is presented below:

### Income statement

	Continuing operations						Discontinued operation		Consolidated	
	Communication Products <i>HK\$'000</i>	Broadband			Wind Energy Facilities <i>HK\$'000</i>	Others <i>HK\$'000</i>	Eliminations <i>HK\$'000</i>	Total <i>HK\$'000</i>		Video Conference System <i>HK\$'000</i>
		ITS <i>HK\$'000</i>	Wireless Access <i>HK\$'000</i>							
<b>TURNOVER</b>										
External sales	39,284	35,399	98,795	—	—	—	173,478	12,306	185,784	
Inter-segment sales*	—	469	11,156	—	—	(11,625)	—	—	—	
Total	<u>39,284</u>	<u>35,868</u>	<u>109,951</u>	<u>—</u>	<u>—</u>	<u>(11,625)</u>	<u>173,478</u>	<u>12,306</u>	<u>185,784</u>	
<b>RESULT</b>										
Segment result	(904)	(893)	23,209	—	(1,533)	—	19,879	(4,680)	15,199	
Unallocated corporate expenses							(38,925)	—	(38,925)	
Finance costs							(5,803)	(86)	(5,889)	
Share of results of associates	—	(259)	—	—	—	—	(259)	—	(259)	
Loss before taxation							(25,108)	(4,766)	(29,874)	
Taxation							439	71	510	
Loss for the year							<u>(24,669)</u>	<u>(4,695)</u>	<u>(29,364)</u>	

\* Inter-segment sales are charged at prevailing market prices.

### (B) Geographical segments

The Group's operations are located in Hong Kong and other parts of the PRC.

The following table provides an analysis of the Group's sales by geographical market:

	Turnover	
	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
PRC	71,715	141,775
Hong Kong	14,100	15,919
United States of America	69,191	25,783
Others	1,193	2,307
	<u>156,199</u>	<u>185,784</u>

#### 4. FINANCE COSTS

	Continuing operations		Discontinued operation		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest on:						
Bank borrowings						
— wholly repayable						
within five years	2,367	3,161	77	86	2,444	3,247
— not wholly repayable						
within five years	—	494	—	—	—	494
Other loans						
— wholly repayable						
within five years	7,003	—	—	—	7,003	—
— not wholly repayable						
within five years	—	2,148	—	—	—	2,148
	<u>9,370</u>	<u>5,803</u>	<u>77</u>	<u>86</u>	<u>9,447</u>	<u>5,889</u>

#### 5. TAXATION

	Continuing operations		Discontinued operation		Consolidated	
	2006	2005	2006	2005	2006	2005
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax credit (charge) for the year comprises:						
Current tax						
Hong Kong	(330)	—	—	—	(330)	—
Other regions in the PRC	(104)	—	—	—	(104)	—
	<u>(434)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>(434)</u>	<u>—</u>
(Under)overprovision in prior years						
Hong Kong	(13)	(19)	—	—	(13)	(19)
Other regions in the PRC	(19)	—	(45)	71	(64)	71
	<u>(32)</u>	<u>(19)</u>	<u>(45)</u>	<u>71</u>	<u>(77)</u>	<u>52</u>
Deferred tax credit	<u>2,217</u>	<u>458</u>	<u>—</u>	<u>—</u>	<u>2,217</u>	<u>458</u>
	<u>1,751</u>	<u>439</u>	<u>(45)</u>	<u>71</u>	<u>1,706</u>	<u>510</u>

Hong Kong Profits Tax is calculated at 17.5% of the estimated assessable profit for the year. No provision for Hong Kong Profits Tax has been made in the financial statements in 2005 as the Group has no assessable profit for the year.

Pursuant to relevant laws and regulations in the PRC, the Group's subsidiaries operating in the PRC are entitled to exemption and deductions from income tax under certain tax holidays and concessions. Income tax is calculated at rates given under the respective concessions.

## 6. DISCONTINUED OPERATION

On 22 November 2006, the Group entered into a sale and purchase agreement in respect of the disposal of a subsidiary, CASTEL Videotech (Hong Kong) Limited ("CASTEL Videotech"), which carried out all of the Group's development, manufacture, distribution and installation of video conference system. The disposal was effected in order to generate cash flows for the expansion of the Group's other businesses. The disposal was effective in November 2006, in which the control of the disposal group passed to the acquirer.

The loss for the year from the discontinued operation is analysed as follows:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Profit (loss) of video conference system operation for the year	<b>460</b>	(4,695)
Loss on disposal of video conference system operation	<b>(684)</b>	—
	<u><b>(224)</b></u>	<u>(4,695)</u>

The results of the video conference system operation for the year up to the date of disposal, which have been included in the consolidated income statement, were as follows:

	<b>2006</b> <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Turnover	<b>14,924</b>	12,306
Cost of sales	<b>(9,625)</b>	(8,922)
Other income	<b>460</b>	189
Distribution costs	<b>(1,530)</b>	(888)
Administrative expenses	<b>(3,647)</b>	(7,365)
Finance costs	<b>(77)</b>	(86)
	<u><b>505</b></u>	<u>(4,766)</u>
Profit (loss) before taxation	<b>505</b>	(4,766)
Taxation	<b>(45)</b>	71
	<u><b>460</b></u>	<u>(4,695)</u>
Profit (loss) for the year	<b>460</b>	(4,695)
Loss on disposal of video conference system operation	<b>(684)</b>	—
	<u><b>(224)</b></u>	<u>(4,695)</u>



## 7. LOSS FOR THE YEAR

	Continuing operations		Discontinued operation		Total	
	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000	2006 HK\$'000	2005 HK\$'000
Loss for the year has been arrived at after charging:						
Directors' emoluments	1,164	3,774	—	—	1,164	3,774
Other staff costs	23,672	18,282	2,718	2,017	26,390	20,299
Other staff's retirement benefits scheme contributions	1,338	860	64	47	1,402	907
	<u>26,174</u>	<u>22,916</u>	<u>2,782</u>	<u>2,064</u>	<u>28,956</u>	<u>24,980</u>
Amortisation of intangible assets ( <i>Note</i> )	12,900	4,766	—	250	12,900	5,016
Auditors' remuneration	1,629	1,195	—	5	1,629	1,200
Cost of inventories recognised as an expense	118,832	100,964	7,784	8,921	126,616	109,885
Depreciation of property, plant and equipment	7,367	6,778	347	425	7,714	7,203
Loss on disposal of property, plant and equipment	48	45	—	—	48	45
Loss on disposal and deemed disposal of subsidiaries	—	—	684	—	684	—
Impairment loss recognised in respect of goodwill (included in administrative expenses)	542	—	—	2,668	542	2,668
Minimum lease payments paid under operating leases in respect of land and buildings	3,725	3,352	89	97	3,814	3,449
Research and development expenses	1,620	696	—	—	1,620	696
Allowance for doubtful debts	22,170	3,513	—	1,665	22,170	5,178
Allowance for obsolete inventories	1,916	274	—	—	1,916	274
Write-off of development costs	—	228	—	—	—	228
Exchange loss recognised	1,247	248	—	—	1,247	248
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
and crediting:						
Interest income	559	145	8	9	567	154
Write-back of interest payable	14,585	—	—	—	14,585	—
Gain on disposal and deemed disposal of subsidiaries	3,325	—	—	—	3,325	—
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

*Note:* During the year, amortisation of intangible assets of approximately HK\$12,900,000 (2005: HK\$4,264,000) and nil (2005: HK\$752,000) were included in cost of sales and administrative expenses respectively.

## 8. LOSS PER SHARE — BASIC

### From continuing operations

The calculation of the basic loss per share from continuing operations attributable to the ordinary equity holders of the parent entity is based on the following data.

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Loss for the purpose of basic loss per share	(64,562)	(29,781)
Less: Loss for the year from discontinued operations	<u>224</u>	<u>4,695</u>
Loss for the purpose of basic loss per share from continuing operations	<u><u>(64,338)</u></u>	<u><u>(25,086)</u></u>

  

	Number of shares	
	2006	2005
Weighted average number of shares for the purposes of basic loss per share	<u><u>1,017,139,763</u></u>	<u><u>1,017,139,763</u></u>

### From discontinued operation

Basic loss per share for the discontinued operation is HK0.02 cents per share (2005: HK0.46 cents per share), based on the loss for the year from the discontinued operation of HK\$224,000 (2005: HK\$4,695,000) and the denominators detailed above for basic loss per share.

## 9. DIVIDENDS

No dividend was paid or proposed during the year ended 31 December 2006, nor has any dividend been proposed since the balance sheet date (2005: nil).

## 10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables of HK\$82,615,000 (2005: HK\$155,577,000). The Group allows credit periods ranging from 45 days to 180 days to its customers for sales of goods. At the discretion of the directors, several major customers were allowed to settle their balances beyond the credit terms up to one year. The average credit period of one year will be given to customers for revenue from service contracts. The following is an aged analysis of trade receivables at the balance sheet date:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 30 days	44,039	37,642
Between 31 — 90 days	2,682	21,741
Between 91 — 180 days	649	77,649
Between 181 — 365 days	832	7,647
Over 1 year	34,413	10,898
	<u>82,615</u>	<u>155,577</u>

The fair values of the Group's trade and other receivables at the balance sheet date approximate to the corresponding carrying amounts.

## 11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$19,844,000 (2005: HK\$31,023,000). The following is an aged analysis of trade payables at the balance sheet date:

	2006 <i>HK\$'000</i>	2005 <i>HK\$'000</i>
Within 30 days	14,576	14,641
Between 31 — 90 days	1,167	8,651
Between 91 — 180 days	901	1,753
Between 181 — 365 days	84	1,120
Over 1 year	3,116	4,858
	<u>19,844</u>	<u>31,023</u>

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

## RESULTS SUMMARY

As of 31 December 2006, the Group's turnover for the year 2006 amounted to HK\$156.20 million with a loss of HK\$65.23 million in contrast to those for the year 2005 of HK\$185.78 million and HK\$29.36 million respectively. The loss for the year was mainly attributable to various allowances relating to the telecommunication business made whereas there were expense increases upon the investment and development period of new businesses.

## **BUSINESS REVIEW AND PROSPECTS**

While the Group continued the sales of communication equipment and the application services of Global Positioning System (GPS) for the year 2006, the Group also continued increasing its investments in new business intensively, aiming at exploring new operations and new earning sources for its future development during the year. In addition to continuation of increasing the investments in wind energy plant project with the total accumulated investments to date of HK\$100 million, the Group on 15 February 2007 and 27 March 2007 entered into agreements whereby the Group will further acquire from its parent company, China Academy of Launch Vehicle Technology (“CALT”) new businesses comprising research and development and production of wind energy facilities, automotive engine management systems and components manufacturing, automotive sealing products manufacturing, rare-earth-permanent magnetic motors manufacturing, at the purchase consideration of HK\$900 million. The details of the proposed acquisitions that will be completed by 30 September 2007 were set out in an announcement made by the Company on 2 April 2007.

The Group has confidence to bring new profits and returns from the new areas of new energy businesses (wind energy plant and generator), new material business (rare-earth-permanent magnetic motors), automotive component (electrical spraying and sealing strip) apart from the telecommunication business through these successive efforts.

### **Telecommunication Business**

The major customers of the Group’s communication business are operators in the PRC such as China Mobile, China Unicom, China Telecom, China Netcom and China Railcom. We provide these operators as well as those in the markets of Europe and America with communication equipment of high capability/price value. However, due to the reduction of investment in infrastructure of 5.8G wireless access network by those major operators and the drop in profit margin in consequence of the keen competition, the sales of communication products for the year recorded a decrease as compared with last year.

On 22 November 2006, the Company entered into an agreement with Brightness International Holdings Ltd. whereby it disposed of 60% of the entire equity interests in CASTEL Videotech (Hong Kong) Ltd. in disposing its 60% interest of its video conferencing business in effect in the course of introduction of new capital injection in the business and acquiring the experience of the said purchaser in the PRC distribution network with a view to extending the sales in PRC market.

### **Wind Energy Projects**

On 30 March 2006, Crownplus International Ltd., a wholly-owned subsidiary of the Company, entered into a joint venture agreement with Longyuan Electric Group Corporation and Beijing Wan Yuan Industry Corporation in respect of building, maintenance and operation of wind energy plants and facilities in the Liaoning Province of the PRC. This is the third wind energy plant project following those in Jiangsu and Jilin, PRC.

The Group will benefit from the joint venture in strengthening the Group’s investment in wind energy power plants given the shortage of electricity supplies in the PRC and the global trend towards renewable energy for environmental reasons assuring the tremendous demands in the future.

## **Others**

The Group has made an announcement on 2 April 2007 that the Group entered into acquisition agreements with its parent company, CALT in exploring new businesses of new energy, new materials, and automotive component and developing larger profit centres.

## **HUMAN RESOURCES AND REMUNERATION POLICY**

As at 31 December 2006, the Group had 37 employees (2005: 41 employees) in the Hong Kong head office and 428 employees (2005: 531 employees) in the China Mainland offices. Remuneration of employee is determined according to individual employee's performance and the prevailing trends in different areas and reviewed on an annual basis. The Group also provides Mandatory Provident Fund and medical insurance to its employees. In addition, discretionary performance bonus and share option schemes are available and are at the discretion of the Directors.

## **FINANCIAL REVIEW**

### **Liquidity and Financial Resources**

Total borrowings of the Group as at 31 December 2006 were HK\$265,667,000 (2005: HK\$105,652,000), which were fixed rate borrowings (2005: HK\$58,765,000). All borrowings of the Group were determined at market interest rate. The Group has not issued any financial instruments for hedging or other purposes.

Gearing ratio (total borrowings over shareholders' equity) as at 31 December 2006 was 294% (2005: 70%).

### **Pledge of Assets**

As at 31 December 2006, certain assets of the Group of HK\$1,537,000 (2005: HK\$11,631,000) have been pledged to secure bank facility.

### **Exchange and Other Exposures**

Most of the Group's business transactions were conducted in Hong Kong dollars, Renminbi and United States dollars. The Group expected that the exposure to exchange rates fluctuation was minimal and therefore has not engaged in any hedging activities.

The Group did not have any contingent liabilities as at 31 December 2006.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Wednesday, 6 June 2007 to Friday, 8 June 2007 (both days inclusive) during which no transfer of shares will be registered. In order to qualify for voting at the annual general meeting to be held on Friday, 8 June 2007, all share certificates with completed transfer forms must be lodged with the Company's Share Registrar, Share Registration Public Office of Standard Registrars Limited, at 26/F., Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:00 p.m. on Thursday, 7 June 2007.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## **CORPORATE GOVERNANCE**

### **Code on Corporate Governance Practices**

The Company has adopted Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the "CG Code"), save that all of the independent non-executive directors are not appointed for specific term but are subject to retirement and rotation and re-election at the Company's Annual General Meeting. Nevertheless, all of the Directors of the Company including the independent non-executive directors are subject to the retirement provisions under the Articles of Association of the Company. As such, the Company considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are no less exacting than those in the Code.

### **Model Code for Securities Transactions by Directors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules. Having made specific enquiry of all the directors of the Company and in accordance with information provided, all the directors have complied with the provisions under the Model Code.

### **Independent Non-executive Directors**

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules in appointment of a sufficient number of 4 independent non-executive directors of whom Mr. Yiu Ying Wai ("Mr. Yiu") is a member of the Association of Chartered Certified Accountants, a member of Certified Management Accountants of Canada and also a practicing member of the Hong Kong Institute of Certified Public Accountants in Hong Kong with over 20 years of experience in auditing, accounting and financial management in Hong Kong and overseas.

### **Audit Committee**

The Audit Committee of the Company set up comprises all of the four independent non-executive directors, Mr. Yiu, Mr. Wong Fai, Philip, Mr. Zhu Shixiong and Mr. Moh Kwen Yung. The principal duties of the Audit Committee include the review of the Company's financial reporting procedure, internal controls and results of the Group. The audited consolidated financial statements for the year have been reviewed by the Audit Committee.

## **PUBLICATION OF ANNUAL REPORT**

A full text of the Company's 2006 Annual Report will be sent to the shareholders and published on the website of the Stock Exchange of Hong Kong Limited in due course.

By Order of the Board  
**Wu Yansheng**  
*Chairman*

*As at the date of this announcement, the board of directors of the Company comprises Mr. Han Shuwang, Mr. Wang Xiaodong and Mr. Li Guang as executive directors, Mr. Wu Yansheng, Mr. Liang Xiaohong and Mr. Tang Guohong as non-executive directors, and Mr. Yiu Ying Wai, Mr. Wong Fai, Philip, Mr. Zhu Shixiong and Mr. Moh Kwen Yung as independent non-executive directors.*

Hong Kong, 19 April 2007

*\* the Chinese name of the Company is for reference only*

Please also refer to the published version of this announcement in The Standard.