



JOLIMARK HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 2028)

2006 Annual Results Announcement

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	<i>Note</i>	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Turnover		943,252	981,650
Cost of goods sold	3	(798,588)	(825,541)
Gross profit		144,664	156,109
Other income		11,593	14,790
Selling and marketing costs	3	(36,988)	(28,461)
Administrative expenses	3	(60,516)	(40,909)
Other gains/(losses) — net	4	432	(1,843)
Operating profit		59,185	99,686
Finance costs	5	(7,168)	(5,628)
Share of losses of associates		(872)	(2,418)
Profit before income tax		51,145	91,640
Income tax expenses	6	(7,848)	(11,513)
Profit for the year		43,297	80,127
Attributable to:			
Shareholders of the Company		42,426	78,603
Minority interests		871	1,524
		43,297	80,127
Basic and diluted earnings per share for profit attributable to the shareholders of the Company during the year (expressed in Renminbi per share)	7	0.078	0.181
Dividends		18,108	31,460

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

	31 December 2006	31 December 2005
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
ASSETS		
Non-current assets		
Property, plant and equipment	101,901	57,836
Land use right	11,478	—
Intangible assets	3,019	1,842
Interests in associates	9,007	9,879
Available-for-sale financial assets	1,050	1,750
Deferred income tax assets	2,005	1,815
	<u>128,460</u>	<u>73,122</u>
Current assets		
Inventories	243,410	170,378
Trade and other receivables	304,291	266,524
Cash and cash equivalents	100,834	112,841
	<u>648,535</u>	<u>549,743</u>
Total assets	<u><u>776,995</u></u>	<u><u>622,865</u></u>
EQUITY		
Capital and reserves attributable to shareholders of the Company		
Share capital and premium	282,194	140,495
Other reserves	185,252	180,132
Retained earnings		
— Proposed final dividend	11,820	14,820
— Unappropriated retained earnings	80,459	61,261
	<u>559,725</u>	<u>396,708</u>
Minority interests	<u>15,889</u>	<u>11,895</u>
Total equity	<u>575,614</u>	<u>408,603</u>
LIABILITIES		
Current liabilities		
Trade and other payables	134,065	107,738
Current income tax liabilities	9,507	10,364
Borrowings	57,809	96,160
	<u>201,381</u>	<u>214,262</u>
Total liabilities	<u>201,381</u>	<u>214,262</u>
Total equity and liabilities	<u><u>776,995</u></u>	<u><u>622,865</u></u>
Net current assets	<u><u>447,154</u></u>	<u><u>335,481</u></u>
Total assets less current liabilities	<u><u>575,614</u></u>	<u><u>408,603</u></u>

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”). They have been prepared under the historical cost convention.

(a) Standards, amendments and interpretations effective in 2006 but not relevant for the Group’s operations

- HKAS 39 and HKFRS 4 Amendment, Financial Guarantee Contracts;
- HKAS 19 Amendment, Actuarial Gains and Losses, Group Plans and Disclosures;
- HKAS 21 Amendment, Net Investment in a Foreign Operation;
- HKAS 39 Amendment, Cash Flow Hedge Accounting of Forecast Intragroup Transactions;
- HKAS 39 Amendment, The Fair Value Option;
- HKFRS 6, Exploration for and Evaluation of Mineral Resources;
- HKFRS 1 and HKFRS 6 Amendment, First-time Adoption of Hong Kong Financial Reporting Standards and Exploration for and Evaluation of Mineral Resources;
- HK(IFRIC)-Int 4, Determining whether an Arrangement Contains a Lease;
- HK(IFRIC)-Int 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds; and
- HK(IFRIC)-Int 6, Liabilities arising from Participating in a Specific Market — Waste Electrical and Electronic Equipment.

(b) Standards and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

The following standards and interpretations to existing standards have been published that are relevant to the Group’s operations but are not yet effective for annual period beginning on 1 January 2006 and have not been early adopted by the Group.

- HKFRS 7, Financial instruments: Disclosures, and HKAS 1, Amendments to capital disclosures, (effective for annual periods beginning on or after 1 January 2007). The Group assessed the impact of HKFRS 7 and the amendment to HKAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and capital disclosures required by the amendment of HKAS 1. The Group will apply HKFRS 7 and the amendment to HKAS 1 for annual period beginning on 1 January 2007;
- HKFRS 8, Operating Segment (effective for annual periods beginning on or after 1 January 2009);
- HK(IFRIC)-Int 8, Scope of HKFRS 2 (effective for annual periods beginning on or after 1 May 2006). The Group will apply HK(IFRIC)-Int 8 from 1 January 2007, but it is not expected to have any impact on the Group’s consolidated financial statements; and
- HK(IFRIC)-Int 10, Interim Financial Reporting and Impairment (effective for annual periods beginning on or after 1 November 2006). HK(IFRIC)-Int 10 prohibits the impairment losses recognised in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost to be reversed at a subsequent balance sheet date. The Group will apply HK(IFRIC)-Int 10 from 1 January 2007.

(c) Interpretation to existing standards that are not yet effective and not relevant for the Group's operations

The following interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 March 2006 or later periods but are not relevant for the Group's operations:

- HK(IFRIC)-Int 7, Applying the Restatement Approach under HKAS 29, Financial Reporting in Hyperinflationary Economies (effective for annual periods beginning on or after 1 March 2006);
- HK(IFRIC)-Int 9, Reassessment of Embedded Derivatives (effective for annual periods beginning on or after 1 June 2006);
- HK(IFRIC)-Int 11, HKFRS 2-Group and Treasury Share Transactions (effective for annual periods beginning on or after 1 March 2007); and
- HK(IFRIC)-Int 12, Service Concession Arrangements (effective for annual periods beginning on or after 1 January 2008).

2. SEGMENT INFORMATION

No business segment information of the Group is presented as the Group's revenue, expenses, assets, liabilities and capital expenditure are primarily attributable to the manufacturing and sales activities of business equipment, tax control equipment and other electronic products.

The directors of the Company also consider that the presentation of geographical segment information is not meaningful as less than 10% of the Group's consolidated turnover and results are attributable to the market outside the People's Republic of China (the "PRC") and less than 10% of the Group's consolidated assets are located outside the PRC.

3. EXPENSES BY NATURE

Expenses included in cost of goods sold, selling and marketing costs and administrative expenses are analysed as follows:

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Depreciation of property, plant and equipment and amortisation of land use right and intangible assets	13,157	11,413
Raw materials and consumables recognised in cost of goods sold and expenses	471,043	500,273
Cost of goods sold in distribution business	309,867	307,491
Write down of inventories	3,218	1,163
Provision for bad debts	2,862	563
Employee benefit expenses	40,711	29,652
Operating leases — building	5,034	5,091
Research and development costs	5,791	4,081
Transportation expenses	7,370	4,569
Auditors' remuneration	1,472	1,385
Others	35,567	29,230
	<u>896,092</u>	<u>894,911</u>

4. OTHER GAINS/(LOSSES) — NET

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Losses from disposal of available-for-sale investments	(233)	—
Net foreign exchange gains/(losses)	665	(1,843)
	<u>432</u>	<u>(1,843)</u>

5. FINANCE COSTS

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Interest expenses on bank borrowings	7,168	5,628

6. INCOME TAX EXPENSES

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Current income tax		
— Hong Kong profits tax	289	898
— PRC enterprise income tax	7,749	10,579
	<u>8,038</u>	<u>11,477</u>
Deferred income tax	(190)	36
	<u>7,848</u>	<u>11,513</u>

Hong Kong profits tax

Hong Kong profits tax has been provided at the rate of 17.5% for the year ended 31 December 2006.

PRC enterprise income tax

PRC enterprise income tax of the Group's entities established in the mainland China, mainly Kong Yue Jolimark Information Technology Ltd. ("Kongyue Jolimark") and Kong Yue Electronics & Information Industry (Xinhui) Ltd. ("Kongyue Information"), is provided on the basis of the profit for statutory financial reporting purposes, adjusted for income and expenses items, which are not assessable or deductible for income tax purpose. Kongyue Jolimark and Kongyue Information are established in the Coastal Open Economic Zones of the PRC, their applicable enterprise income tax rate is 27%, which comprised 24% attributable to national tax and 3% attributable to local municipal income tax. As both Kongyue Jolimark and Kongyue Information are currently recognised as "Advance Technology Enterprise", they are entitled to 50% reduction in national enterprise income tax and exemption of local municipal income tax for the year.

7. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Profit attributable to shareholders of the Company	<u>42,426</u>	<u>78,603</u>
Weighted average number of ordinary shares in issue (<i>thousands</i>)	<u>544,626</u>	<u>434,673</u>
Basic earnings per share (<i>RMB per share</i>)	<u>0.078</u>	<u>0.181</u>

Diluted earnings per share is equal to basic earnings per share as there were no potential dilutive shares in issue during the years ended 31 December 2006 and 2005.

8. TRADE AND OTHER RECEIVABLES

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Trade receivables		
— Third parties	256,090	245,530
— Related parties	<u>4,124</u>	<u>—</u>
	260,214	245,530
Less: provision for impairment of receivables	<u>(6,288)</u>	<u>(3,426)</u>
Trade receivables — net	253,926	242,104
Prepayments		
— Third parties	23,955	8,960
— Related parties	5,674	3,340
Other receivables		
— Third parties	11,154	9,531
— Amounts due from associates	1,072	—
— Related parties	<u>8,510</u>	<u>2,589</u>
	<u>304,291</u>	<u>266,524</u>

The Group's sales to corporate customers are entered into on credit terms ranging from 30 to 180 days or extended as considered appropriate by the director in charge of sales department. At 31 December 2006, the ageing analysis of the trade receivables, including amounts due from related parties of trading in nature, were as follows:

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
0–30 days	136,217	146,449
31–90 days	57,817	45,932
91–180 days	14,483	6,746
181–365 days	38,597	44,187
Over 365 days	<u>13,100</u>	<u>2,216</u>
	<u>260,214</u>	<u>245,530</u>

9. TRADE AND OTHER PAYABLES

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
Trade payables		
— Third parties	109,869	77,093
— Related parties	<u>3,417</u>	<u>4,321</u>
	113,286	81,414
Other payables to third parties	18,550	22,758
Staff welfare benefits payable	90	3,405
Advances from customers	<u>2,139</u>	<u>161</u>
	<u>134,065</u>	<u>107,738</u>

At 31 December 2006, the ageing analysis of the trade payables, include amounts due to related parties of trading in nature, were as follows:

	2006 <i>RMB'000</i>	2005 <i>RMB'000</i>
0–30 days	25,012	35,887
31–90 days	85,696	19,876
91–180 days	1,086	23,883
181–365 days	906	363
Over 365 days	<u>586</u>	<u>1,405</u>
	<u>113,286</u>	<u>81,414</u>

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2006 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect does 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 HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

CHAIRMAN'S STATEMENT

To all shareholders,

During the year, as a result of the delay of "Golden Tax Project" Phase III, the decline in market demand on value-added tax invoice printers from "Golden Tax Project" Phase II and the more intensive competition in dot matrix printer market, the sales and gross profit of "Jolimark" brand printers and tax control equipment were adversely affected, and the aggregate turnover decreased by 3.9% compared to last year. Meanwhile, the Group made further investments in market expansion and new product development, together with increased management expenses, resulting in a decline of net profit by 46% compared to last year.

During the year, a number of the Group's tax control products obtained qualification certifications from government authorities, and the Group was chosen as one of the suppliers of tax control electronic cash registers ("ECRs") in the tender project of Guangdong Province National Tax Bureau. The Group also carried out a lot of pre-tender preparation work for certain key provinces and municipalities.

In 2006, the Group launched a variety of new "Jolimark" brand dot matrix printers, which gained wide acceptance in the market and recorded satisfactory sales results in the second half of the year. Moreover, the Group completed the development of various projectors and launched them in the market.

"Golden Tax Project" Phase III will be launched in 2007, which will bring the Group with substantial market opportunities for its tax control ECRs, mini printers and invoice printers. Moreover, with the rapid development of the projector market in the PRC and the government's determination to allocate more resources to the medical and education sectors, the demand for dot matrix printers and projectors in these two sectors will also be boosted. The Group will capitalize on these great opportunities, striving to reward shareholders with positive business returns.

On behalf of the Board, I would like to express my sincere gratitude to all shareholders, the management team, our staff and customers for their great support to the Group over the year. For the great effort and dedication of our spirited staff, the Group believes it will be able to continuously bring long-lasting, fruitful returns to our shareholders.

By Order of the Board
Jolimark Holdings Limited
Au Pak Yin
Chairman

Hong Kong, 17 April 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business Review

“Jolimark” Brand Business

Turnover of business with “Jolimark” brand decreased by 15.9% when comparing with the corresponding period of last year; gross profit margin decreased to 34.4% from 38.0% of the corresponding period of the previous year. The decrease was mainly attributable to the delay of “Golden Tax Project” Phase III, the decline in market demand on value-added tax invoice printers from “Golden Tax Project” Phase II and the more intensive competition in dot matrix printer market, which imposed adverse effects on the sales and gross profit of “Jolimark” brand printers and tax control equipment.

During the year, a number of the Group’s tax control products obtained qualification certifications from government authorities, and the Group was chosen as one of the suppliers of tax control ECRs in the tender project of Guangdong Province National Tax Bureau. The Group also carried out much pre-tender preparation work for certain key provinces and municipalities. In order to increase the possibility of success in tenders, the Group acquired more fixed assets to increase the value of our fixed assets. For dot matrix printers, the Group launched a variety of new “Jolimark” brand products, which gained wide acceptance in the market and recorded satisfactory sales results in the second half of the year.

EMS Business

The Group’s EMS business recorded a stable growth. Its turnover amounted to RMB448,752,000 in 2006, accounting for 48% of the Group’s turnover; gross profit margin increased to 15.1% from 13.2% of the corresponding period of last year.

Distribution Business

Regarding the distribution business, the Group primarily distributes dot matrix printers and projectors. Turnover from distribution business amounted to RMB330,350,000, accounting for 35% of the Group’s total turnover and its gross profit margin decreased to 6.2% from 6.5% for the corresponding period of last year.

Future Prospects

Looking forward, the Company will focus on “Jolimark” brand business, and to develop tax control ECRs, dot matrix printers, mini printers and projectors as its core businesses. Moreover, the Group will also strengthen the establishment of the research and development, brand, sales and service network of the above products, so as to lay a foundation for the leading position of the above commercial equipment in the PRC market.

The management estimated the “Golden Tax Project” Phase III will be resumed in the first half of 2007. The project requires the business places of retail, service and catering sectors to install relevant tax control equipment, and this will significantly boost the demand for tax control ECRs, dot matrix printers and mini printers produced by the Group. The Group was chosen as one of the five authorised suppliers of tax control ECRs in the tender project of Guangdong Province National Tax Bureau in 2006. Guangdong Province contributes the highest tax revenue among all provinces in the PRC, and is also one of the provinces with the greatest potential. The Group expects that the commencement of Guangdong market in 2007 will bring the Group with substantial benefits. Furthermore, the possibility of the Group’s

success in tenders of other provinces is significantly enhanced riding on the advantage laid by “Golden Tax Project” Phase II. The Group will provide customers with retail solutions based on tax control ECRs, including the provision of financial payment equipment products, thus improving the future profitability of the Group.

Due to “Twelve Golden” Projects in the PRC and the features of the PRC market, dot matrix printer market maintains a very substantial demand. In particular, the government’s determination to allocate more resources to the tax, education and medical sectors further boosts the growth of the market. With years of investments in research and development, the Group has mastered the technique of the production of core parts, including printer heads and excelled in the research and development and production in the field of dot matrix printer, and secured its leading position in domestic brand names as early as 2004. The Group’s dot matrix printers have a wide range of applications in the printing of invoices, receipts and certificates, which are designed for enterprise, retail, medical, communication, financial and education sectors. With strong technological know-how and service capability, the Group is committed to provide “customized printing solutions” for its customers, and continue to enhance its competitiveness and profitability in the fields of printers.

Meanwhile, mini printers, including dot matrix mini printers and thermal printers, have tremendous demand in both the PRC and overseas. After years of efforts, the Group has mastered the core technology and built integrated product lines. As the Group has cost advantage in the PRC, in-depth understanding of customers needs and customization capability, the technique of mini printers will become a key profit driver of the Group.

Projectors will be another strong growth driver of the Group. According to China Centre of Information Industry Development report, market scale of projectors in the PRC is expected to reach RMB7.8 billion in 2008. The Group believes that the projector business will develop rapidly given its advantages in research and development and distribution channels.

For EMS business, the Group will maintain its stable development, and focus on the production of certain optical, mechanical and electrical products with high entry barriers to serve overseas small and medium customers.

With the restart of the “Golden Tax Project” Phase III, and based on the development of its dot matrix printers, mini printers and projectors with self-owned brands as well as EMS business, the Group is confident to bring considerable returns to its shareholders.

FINANCIAL REVIEW

Results Summary

For the year ended 31 December 2006, the Group recorded a turnover of RMB943,252,000, representing a decrease of 3.9% from the previous year. The gross profit margin decreased to 15.3% from 15.9% of the previous year. During the year, the Group recorded a profit attributable to shareholders of RMB42,426,000, representing a decrease of 46.0% from the previous year. The basic earnings per share was RMB0.078.

The decrease in the results was mainly attributable to the delay of “Golden Tax Project” Phase III, the decline in market demand on value-added tax invoice printers from “Golden Tax Project Phase II” and the more intensive competition in dot matrix printer market, which imposed adverse effects on the sales

and gross profit of “Jolimark” brand printers and tax control equipment. Meanwhile, the Group made further investments in market expansion and new product development upon its listing, together with increased management expenses, resulting in a decline of net profit of the Group .

Segment Information

Set out below is a comparison of the Group’s turnover, gross profit and gross profit margin in terms of business segment for the year ended 31 December 2006 and the year ended 31 December 2005:

	For the year ended 31 December 2006			For the year ended 31 December 2005		
	Turnover (RMB'000)	Gross Profit (RMB'000)	Gross Profit Margin	Turnover (RMB'000)	Gross Profit (RMB'000)	Gross Profit Margin
“Jolimark” brand business	164,150	56,535	34.4%	195,139	74,211	38.0%
Distribution business	330,350	20,483	6.2%	328,975	21,484	6.5%
EMS/ODM/OEM business	448,752	67,646	15.1%	457,536	60,414	13.2%
Total	<u>943,252</u>	<u>144,664</u>	15.3%	<u>981,650</u>	<u>156,109</u>	15.9%

ANALYSIS ON SALES AND GROSS PROFIT

During the year under review, the EMS business was still the largest contributor to the turnover of the Group, which amounted to RMB448,752,000 and accounted for approximately 48% of total turnover of the Group.

During the year, the turnover of activities of “Jolimark” brand decreased by 15.9% to RMB164,150,000 from RMB195,139,000 of last year.

Turnover of the distribution business increased by 0.4% to RMB330,350,000 from RMB328,975,000 of the previous year, representing 35% of total turnover of the Group.

With regard to gross profit, the activities of “Jolimark” brand contributed approximately 39% of the total gross profit of the Group. The gross profit margin decreased to 34.4%, compared with 38.0% of the previous year.

The EMS business and the distribution business contributed approximately 47% and 14% of the Group’s total gross profit respectively. The gross profit margin of the EMS business increased to 15.1%, compared with 13.2% for the previous year, whereas the gross profit margin of the distribution business decreased to 6.2% from 6.5% of the previous year.

CAPITAL EXPENDITURE

For the year ended 31 December 2006, capital expenditure amounted to RMB70,762,000, which was mainly used to purchase properties, plant and equipment and land use rights.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the total assets of the Group amounted to RMB776,995,000 (2005: RMB622,865,000), comprising shareholders’ fund of RMB559,725,000 (2005: RMB396,708,000), minority interests of RMB15,889,000 (2005: RMB11,895,000) and current liabilities of RMB201,381,000 (2005: RMB214,262,000). The current ratio of the Group was 3.2 (2005: 2.6).

The financial position of the Group was sound. As at 31 December 2006, the cash and cash equivalents of the Group amounted to RMB100,834,000 (2005: RMB112,841,000).

As at 31 December 2006, the bank loans of the Group amounted to RMB57,809,000 (2005: RMB96,160,000), and the gearing ratio was 7.4% (2005: 15.4%). During the year, the Group had no assets held under finance leases.

CONTINGENT LIABILITIES

As at 31 December 2006, the Group had no material contingent liabilities.

STAFF

As at 31 December 2006, the Group employed a total staff of 1,057, in which 1,046 were employed in Mainland China, while 11 were employed in Hong Kong and overseas. The Group implemented its remuneration policy, bonus and share option schemes based on its results and the performance of individual staff. In addition, fringe benefits such as insurance, medical allowance and pension were provided to ensure the competitiveness of the Group.

PROPOSED DIVIDEND

The Board recommended to declare a final dividend for 2006 of 2 HK cents per share to shareholders whose names appear on the register of members on Monday, 30 April 2007. The final dividend will be paid on Friday, 29 June 2007.

The register of members of the Company will be closed from 30 April 2007 to 4 May 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all share transfers, accompanied by the relevant share certificates must be lodged with the Company's share registrar and transfer office Computershare Hong Kong Investor Services Limited, Shop 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:00 p.m. on 27 April 2007.

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

During the year ended 31 December 2006, the Company had repurchased 8,790,000 shares. Save as above, there was no purchase, redemption or disposal by the Group and any of its subsidiaries and their jointly controlled entities, of the Group's listed securities during the period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") contained in Appendix 10 to the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange. The Company has made specific enquiry of all Directors regarding any non-compliance with the Code during the year ended 31 December 2006 and all Directors confirmed that they have fully complied with the required standard set out in the Model Code during the year.

AUDIT COMMITTEE

The audit committee of the Company was established on 13 June 2005 in accordance with Appendix 14 to the Listing Rules. The existing committee comprises Mr. Lai Ming, Joseph as the chairman, Mr. Meng Yan and Mr. Xu Guangmao. The committee members are Independent Non-Executive Directors. For the year ended 31 December 2006, the audit committee held four meetings to review the accounting standards and practices adopted by the Group and to discuss on matters regarding the internal control and financial reporting (including the interim and annual results before proposing them to the Board for approval) with the management and external auditors. The audit committee has reviewed the results announcement of the Company for the year ended 31 December 2006.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee to consider the remunerations for the Directors and senior management of the Company. The Remuneration Committee comprises of Mr. Lai Ming, Joseph (Chairman), Mr. Meng Yan and Mr. Xu Guangmao who are all Independent Non-Executive Directors. The Remuneration Committee has reviewed the remuneration policy and remuneration packages as of 31 December 2006.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

Since the listing of its shares on the Stock Exchange, the Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules.

As at the date of this announcement, the Board comprises Mr. Au Pak Yin, Mr. Au Kwok Lun, Mr. Ou Guo Liang and Mr. Ng Shu Kai, as Executive Directors and Mr. Lai Ming, Joseph, Mr. Meng Yan and Mr. Xu Guangmao, as Independent Non-Executive Directors.

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