XINYU HENGDELI HOLDINGS LIMITED
新宇亨得利控股有限公司

(Incorporated in Cayman Islands with limited liability)
(Stock Code: 3389)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

Financial highlights

Sales	increase 72.2% to RMB2,404,699,000
Gross profit	increase 54.6% to RMB562,904,000
Profit from operations	increase 45.8% to RMB320,957,000
Profit attributable to equity shareholders of the Company	increase 64.5% to RMB199,101,000
Basic earnings per share	increase 23.3% to RMB0.09 per share

Proposed final dividend of RMB69,566,000, representing 34.9% distribution from the profit attributable to equity shareholders of the Company for the financial year 2006.

The Board of Directors (the "Board") of Xinyu Hengdeli Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to the "Group") for the year ended 31 December 2006.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

	Note	**2006** *RMB'000*	2005 *RMB'000*
Turnover		**2,404,699**	1,396,531
Cost of sales		**(1,841,795)**	(1,032,369)
Gross profit		**562,904**	364,162
Other revenue and net income		**38,242**	18,428
Distribution costs		**(175,889)**	(96,645)
Administrative expenses		**(98,287)**	(62,994)
Other operating expenses		**(6,013)**	(2,748)
Profit from operations		**320,957**	220,203
Finance costs	*2(i)*	**(27,048)**	(23,353)
Share of losses of a jointly controlled entity		**(80)**	(187)
Profit before taxation		**293,829**	196,663
Income tax	*3(i)*	**(80,231)**	(64,886)
Profit for the year		**213,598**	131,777
Attributable to:			
Equity shareholders of the Company		**199,101**	121,011
Minority interests		**14,497**	10,766
Profit for the year		**213,598**	131,777
Dividend attributable to the previous financial year, approved during the year	*4(b)*	**49,800**	92,150
Dividend declared after the balance sheet date	*4(a)*	**69,566**	49,800
Basic earnings per share	*5*	**RMB0.090**	RMB0.073

CONSOLIDATED BALANCE SHEET
At 31 December 2006

	Note	2006 RMB'000	2005 RMB'000
Non-current assets			
Property, plant and equipment		**251,101**	96,208
Intangible assets		**32,989**	33,109
Goodwill		**181,045**	–
Interest in a jointly controlled entity		**4,733**	4,813
Other investments		**250**	250
Deferred tax assets		**24,948**	17,553
		495,066	151,933
Current assets			
Trading securities		**–**	42,792
Inventories		**1,262,382**	662,142
Trade receivables, prepayments and other receivables		**330,995**	214,110
Pledged bank deposits		**76,908**	130,025
Cash and cash equivalents		**298,275**	142,502
		1,968,560	1,191,571
Current liabilities			
Trade and other payables		**370,698**	185,376
Bank loans and overdrafts		**387,814**	314,000
Current taxation		**74,484**	49,412
		832,996	548,788
Net current assets		**1,135,564**	642,783
Total assets less current liabilities		**1,630,630**	794,716
Non-current liabilities			
Other payables		**–**	565
Bank loan		**22,070**	–
		22,070	565
NET ASSETS		**1,608,560**	794,151
CAPITAL AND RESERVES			
Share capital		**12,927**	10,828
Reserves		**1,459,159**	683,812
Total equity attributable to equity shareholders of the Company		**1,472,086**	694,640
Minority interests		**136,474**	99,511
TOTAL EQUITY		**1,608,560**	794,151

Notes:

1. Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2006 comprise the Company and its subsidiaries and the Group's interest in a jointly controlled entity.

The measurement basis used in the preparation of the financial statements is the historical cost basis, except for trading securities.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. Profit before taxation

Profit before taxation is arrived at after charging:

i) *Finance costs*

	2006 *RMB'000*	2005 *RMB'000*
Interest expense on bank loans and overdrafts	**23,193**	21,004
Bank charges	**3,855**	2,349
	27,048	23,353

ii) *Staff costs*

	2006 *RMB'000*	2005 *RMB'000*
Wages, salaries and other benefits	**76,165**	41,471
Contributions to defined contribution plans	**6,161**	3,591
	82,326	45,062

iii) *Other items*

	2006 *RMB'000*	2005 *RMB'000*
Cost of inventories#	**1,847,240**	1,034,060
Auditors' remuneration – audit services	**2,700**	1,500
Depreciation – property, plant and equipment	**15,970**	12,024
Amortisation of intangible assets	**120**	120
Operating leases charges in respect of properties		
– minimum lease payments	**16,610**	13,256
– contingent rents	**59,693**	35,726

Cost of inventories includes RMB5,565 thousands (2005: RMB1,811 thousands), relating to write-down of inventories for the year ended 31 December 2006.

3. Income tax in the consolidated income statement

(i) Taxation in the consolidated income statement represents:

	2006	2005
	RMB'000	*RMB'000*
Current tax		
Provision for Hong Kong profits tax for the year	**5,577**	84
Provision for PRC income tax for the year	**84,935**	71,351
(Over)/under-provision in respect of prior years	**(2,886)**	384
Deferred tax		
Origination of temporary differences	**(7,395)**	(6,933)
	80,231	64,886

Pursuant to the rules and regulations of the Cayman Islands, the Company is exempt from income tax in the Cayman Islands. In addition, certain subsidiaries located in foreign jurisdictions are not subject to any income tax in these jurisdictions.

The provision for PRC income tax is based on a statutory rate of 33% of the assessable profits of subsidiaries in the PRC as determined in accordance with the relevant income tax rules and regulations of the PRC during the year, except for a subsidiary which is entitled to a preferential income tax rate of 15%.

Provision for Hong Kong profits tax during the year ended 31 December 2006 is calculated at 17.5% of the estimated assessable profits of subsidiaries in Hong Kong.

(ii) Reconciliation between tax expense and accounting profit at applicable tax rate:

	2006	2005
	RMB'000	*RMB'000*
Profit before tax	**293,829**	196,663
Computed tax using the applicable tax rate to respective subsidiaries of the Group	**88,339**	64,829
Non-taxable income	**(6,562)**	(1,452)
Non-deductible expenses	**1,340**	1,125
(Over)/under-provision in respect of prior years	**(2,886)**	384
	80,231	64,886

4. Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2006	2005
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of RMB0.028 per share (2005: RMB0.048 per share)	**69,566**	49,800

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2006	2005
	RMB'000	*RMB'000*
Final dividend in respect of the previous financial year, approved and paid during the year (2006: RMB0.048 per share)	**49,800**	92,150

Pursuant to the resolution passed at the board of directors' meeting of Shanghai Xinyu Watch & Clock Group, Ltd. ("Shanghai Xinyu") held on 23 February 2005, dividend (excluding share of dividends to minority shareholders) of RMB92,150 thousands was declared by Shanghai Xinyu to its then major shareholders. The final dividend per share and the number of shares ranking for dividend are not presented above as such information is not meaningful having regard to the consolidated financial statements.

5. Earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB199,101 thousands (2005: RMB121,011 thousands) and the weighted average of 2,219,727,398 ordinary shares (2005: 1,652,191,780 ordinary shares) in issue during the year. The weighted average number of ordinary shares in issue for 2005 and 2006 has been retrospectively adjusted for the effect of the share split on 6 February 2007.

There were no dilutive potential ordinary shares for the years ended 31 December 2005 and 2006 and, therefore, diluted earnings per share are not presented.

6. Segment information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises two principal business segments which are retail and wholesale respectively.

	2006 *RMB'000*	2005 *RMB'000*
Turnover		
Retail	**1,362,863**	636,725
Wholesale	**1,024,507**	745,059
Unallocated	**17,329**	14,747
Total	**2,404,699**	1,396,531
Segment result		
Retail	**215,522**	138,089
Wholesale	**130,757**	106,041
Total	**346,279**	244,130
Unallocated operating income and expenses	**(25,322)**	(23,927)
Profit from operations	**320,957**	220,203
Finance costs	**(27,048)**	(23,353)
Share of losses of a jointly controlled entity	**(80)**	(187)
Income tax	**(80,231)**	(64,886)
Profit for the year	**213,598**	131,777
Segment assets		
Retail	**1,189,775**	492,999
Wholesale	**642,559**	411,137
Total	**1,832,334**	904,136
Unallocated assets	**631,292**	439,368
Total assets	**2,463,626**	1,343,504
Segment liabilities		
Retail	**267,013**	72,321
Wholesale	**83,648**	54,322
Total	**350,661**	126,643
Unallocated liabilities	**504,405**	422,710
Total liabilities	**855,066**	549,353
Capital expenditure		
Retail	**46,029**	7,251
Unallocated	**94,422**	19,970
Total	**140,451**	27,221
Depreciation and amortisation		
Retail	**7,158**	3,192
Unallocated	**8,932**	8,952
Total	**16,090**	12,144
Impairment losses for doubtful accounts		
Wholesale	**407**	898
Write-down of inventories		
Unallocated	**5,565**	1,811

Geographical segments

The Group's business is mainly managed in two principal economic environments, the PRC (other than Hong Kong) and Hong Kong.

	2006	2005
	RMB'000	*RMB'000*
Turnover		
The PRC (other than Hong Kong)	**1,982,710**	1,396,531
Hong Kong	**421,989**	–
Total	**2,404,699**	1,396,531
Segment assets		
The PRC (other than Hong Kong)	**1,847,415**	1,149,157
Hong Kong	**616,211**	194,347
Total	**2,463,626**	1,343,504
Capital expenditure		
The PRC (other than Hong Kong)	**137,641**	10,956
Hong Kong	**2,810**	16,265
Total	**140,451**	27,221

MANAGEMENT DISCUSSION AND ANALYSIS

I MARKET OVERVIEW

The PRC economy maintained its impressive growth trend in 2006 with the gross domestic product (GDP) growing by 10.6% and total retail consumption in the community reached RMB8 trillion, representing an increase of 13.5% year-on-year. On top of that, the Central Government had also introduced a series of policies favorable for an increase in people's income, such as the upward adjustment in the personal income tax exemption threshold, the agricultural tax exemption, and the rise in salaries of civil servants etc., leading to the increase in household's actual disposable income and substantially stronger consumers' purchasing power. This creates enormous demand for luxury goods such as watches of high-end brands names. As the market leader in the retail and distribution of internationally prestigious brand watches in the PRC, the Group had seen its business leap under such favorable market conditions.

II FINANCIAL REVIEW

Sales

For the year ended 31 December 2006, the Group recorded sales of RMB2,404,699,000, of which sales from wholesale business amounted to RMB1,024,507,000 and accounted for 42.6% of the sales; sales from retail business amounted to RMB1,362,863,000 and accounted for 56.7% of the sales. The increase in sales was mainly attributable to the Group's ability to leverage the strong demand in the PRC's luxury watches market and to enhance the performance of its operation through a strong sale network, brand name effects and improved business management.

Sales breakdown of the Group (for the year ended 31 December 2006):

	2006		2005		2004	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Retail business	**1,362,863**	**56.7**	636,725	46.0	530,264	34.9
Wholesale business	**1,024,507**	**42.6**	745,059	53.0	974,771	64.2
After-sales services	**17,329**	**0.7**	14,747	1.0	13,547	0.9
Total	**2,404,699**	**100.0**	1,396,531	100.0	1,518,582	100.0

Gross profit and gross profit margin

For the year ended 31 December 2006, the Group's gross profit increased by 54.6% from last year to approximately RMB562,904,000, whereas our gross profit margin was down 2.7 percentage points over last year to approximately 23.4%. The increase was mainly attributable to the consolidation of sales and gross profits of the Elegant Group into the Group for the current year, while the gross profit margin in the Hong Kong market was lower than the market in Mainland China.

Profit for the year and profit margin for the year

Profit for the year increased by 62.1% to approximately RMB213,598,000 over last year.

Distribution costs

During the year under review, the Group devoted to expand its retail network with 31 new outlets being opened. As a result, the Group's distribution costs increased to approximately RMB175,889,000, representing 7.3% of the Group's sales. The increase in distribution costs of the Group is in line with the growth of its business.

Final dividend

The Company recommends the payment of a final dividend of RMB0.028 per share for the year ended 31 December 2006 in return for shareholders' support, subject to approval by shareholders at the Annual General Meeting to be held on 1 June 2007. The proposed final cash dividend will be paid on or before 26 June 2007 to shareholders whose names appear on the register of members of the Company on 31 May 2007.

Current assets and current liabilities

As at 31 December 2006, the current assets of the Group amounted to approximately RMB1,968,560,000, including inventory of approximately RMB1,262,382,000, trade and other receivables of approximately RMB330,995,000, and cash and cash equivalents of approximately RMB298,275,000.

As at 31 December 2006, the current liabilities of the Group amounted to approximately RMB832,996,000, including bank loans and other interest bearing liabilities of approximately RMB387,814,000, trade and other payables of approximately RMB370,698,000, and current tax payable of approximately RMB74,484,000.

III BUSINESS REVIEW

Expansion of retail outlets

The Group's enormous retail distribution network in the PRC provides the expressway for internationally renowned watch brands to enter the domestic market. As at 31 December 2006, the Group has established 92 retail outlets across 30 cities throughout the PRC, representing an increase of 27 retail outlets to the same period in the previous year, that outnumbered our expected number of 20 stores.

In terms of our operating model, the Group owns 82 integrated retail outlets and 14 individual brand boutique shops. Not only do different operating models help establish retail network promptly for the Company, but they also accelerate market penetration of the Group. Furthermore, they help the Company focus on various segments of customers, cognize market positions for different retail brands and cope with customers' needs with the provision of suitable products and appropriate services.

All of the Group's retail outlets are located in prosperous zones which are strategically opened at prime locations in major cities including Beijing, Shanghai, Tianjing, Shenyang, Harbin, Hangzhou, Nanjing and Shenzhen.

While the Group has been driving hard for expanding the retail network in the PRC, speeding up the expansion of retail business in Hong Kong and other overseas markets is also one of the major tasks of the Group during the period. During the period under review, the Group succeeded in acquiring Elegant International (三寶集團) which have been engaged in retailing business of international branded watches in Hong Kong for 36 years with 4 luxury watch retail shops in which 2 at Tsimshatsui, 1 at Causeway Bay and 1 at Central. The acquisition would not only enhance profitability, but also leave a glorious chapter in the Group's quest to implement its overseas retail strategy, bolster our foundation for steady development in the future. Since joining our Group, Elegant International had achieved rapid business growth, with both turnover and gross profit increased more than 30% from the corresponding period prior to the acquisition.

During the period under review, the Company set up Anhui Sanxin Watch & Clock Ltd. jointly with a well-reputed retailer in Hefei, Auhui and acquired 70% shareholding of Henan Fuhao Watch Ltd. With these two projects, the total number of retail shops of the Group increased by 10, with a market share of 85% and 90% in the high and middle end watch retail market in Hefei and Zhengzhou respectively. In addition, the Company and a famed retailer in Wenzhou entered into an agreement in relation to the establishment of Wenzhou Xinyu Watch & Clock Co., Ltd., boosting the marketing share of high end watches market in Wenzhou up to 90% and the number of retail outlets of the Company in the Mainland China to 92.

Retail network in both domestic and overseas markets had been growing in a fast pace, generating a strong driving force to the Group's development. During the reporting period, retail revenue grew 114% from last year, in which turnover from newly opened outlets accounted for four-fifth of turnover growth in the retail business. Sales from existing outlets had also been satisfactory, which registered a one-fifth of turnover growth in the retail business from last year.

At present, through image standardization and operation by categories, the Group's sale retail shops is basically divided into: luxury shops high to middle end comprehensive shops and fashion stores. As to the high to middle end integrated shops, they will gradually be promoted under a unified brand name of "Prime Time" (盛時表行).

Watch distribution business
The Group believes that the development of retail and distribution businesses is of equal importance and both are complementary to each other. Hence, while developing the retail business, the Group also stresses on expanding the distribution business and strives to set up an extensive distribution network. For the year ended 31 December 2006, the Group developed a distribution network spreading over 40 cities throughout the nation with a customer base of over 300 wholesale customers, most of whom are branded watch retailers of the PRC.

Reinforce co-operations with brand suppliers
During the period under review, the Group has co-operated with various internationally renowned brand suppliers and jointly opened 6 brand franchised shops, which include the cooperation with Richemont Group in the opening of two exclusive brand boutique shop under the brand name of Cartier in Huayu International Exquisite Commodities Building in Taiyuan, Shanxi province and Dannisi Shopping Center in Zhengzhou, Henan Province. 4 other brand boutique shops include the Beijing Grant Hyatt Zenith Boutique, Shenzhen Huaqiang Sunshine TAG Heuer Flagship Shop, Grand Hyatt Beijing TAG Heuer Flagship Shop and Shenyang TAG Heuer Flagship Shop. These 6 shops are all located in the prosperous and sumptuous business districts in Beijing, Shanxi, Shenzhen and Henan.

The Group has maintained good relationships with numerous brand suppliers of internationally-famous watches, namely The Swatch Group, the Richemont Group (曆峰集團), the LVMH Group, the Desco Group (達昌集團) and Rolex Group (勞力士集團). As at 31 December 2006, the Group was the wholesalers of 19 internationally renowned watch brands, of which 17 brands were distributed under an exclusive basis, including Audemars Piguet (愛彼), Jaeger-LeCoultre (積家), Carl F. Bucherer (寶齊萊), TAG Heuer (豪雅), Zenith (真力時), Baume & Mercier (名士), Maurice Lacroix (艾美), CK, Christian Dior (克麗絲汀 • 迪奧). During the period under review, the Company also entered into a three-year and five-year renewable long-term exclusive agency agreements with Audemars Piguet and Maurice Lacroix respectively, These cooperation lay a strong foundation for both parties' business development in the PRC market in the long run.

Strengthen ancillary production development
During the year, the Group completed the acquisition of Artdeco Decorating & Packaging Co., Ltd., a professional company engaged in the design and manufacture of package boxes for watches, jewellery, cosmetics, premium gifts etc., as well as manufacture of brand presentation boards, specialized props and outlet fixtures for marketing, furnishing etc. for retail outlets of high-end consumer products. At present, it mainly produces watch boxes, presentation boards and marketing props for renowned international watch brands. Upon the completion of acquisition of Artdeco Decorating & Packaging Co., Ltd., the Group could further expand its capacity in accessories production which complement to its principal business. It could also facilitate the enhancement in upgrading store image within the network and product packaging design. The Group can also explore new business opportunities in manufacture of decorative packaging products.

Marketing

In 2006, the Group actively participated in and implemented a number of marketing activities in order to promote the image of the Group.

In order to achieve synergy effect in brand promotion, the Group collaborated with various brands to launch intensive marketing campaigns, one of which is to sponsor the promotion campaign of Ferrari. Besides, the Group also joins hands with China Merchants Bank Co., Ltd. to allow customers purchase products by credit card under installment so as to effects quick sale. Meanwhile, the Group has held road shows in selected clubhouse of four cities, during which guests were invited to take part and purchase luxurious watches exhibited thereof.

Customer services

The Group has always focused on the provision of premium and quality customer services. Apart from establishing two sizeable repair and maintenance centers in Beijing and Shanghai, immediate repair and maintenance services are also provided with comprehensive after-sales service systems at each retail shop in order to satisfy the needs of our customers in full. With the establishment of the interactive customer services network between Hong Kong and the PRC on the basis of our nationwide joint repair and maintenance services, we serve to assure our customers of full confidence.

Future prospects

Given the increasing spending power of consumers and the rise of high income groups in the PRC, the purchasing power of the PRC will surge significantly, bringing about constant growth of demand for high end watches. It is expected that in 2007, the high-end watch market will undergo rapid and continuous development. With an intent to take advantage of the significant potential in the domestic and overseas markets, the Group will adhere itself to a diversified approach of developing sales network, so as to set forth a firm foundation for our development. In the coming years, the Group are expected to open 20 retail outlets to face the huge market opportunities ahead.

In addition to maintaining and fostering our close collaborative relationships with the brand suppliers of internationally renowned luxury watches, the Group will also actively develop ancillary products related to watch sales to boost profitability growth. Moreover, the Group will reinforce marketing efforts to raise the brand awareness for our new retail outlets. The Group will also foster higher operating efficiencies and improve resource allocation through optimized enterprise resources planning and management systems. The Group will continue to uphold its advantages to achieve larger market share, further improve service quality and assure the undertaking of providing premium quality service to our customers.

CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Friday, 18 May 2007 to Thursday, 31 May 2007 (both days inclusive). In order to establish entitlements to the proposed final dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar Computershare Hong Kong Investor Services Limited, Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 17 May 2007.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

Neither the Company nor its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the listing date to 31 December 2006.

AUDIT COMMITTEE

The Company has established an audit committee in compliance with the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The audit committee comprises three independent non-executive Directors, namely, Messrs. Cai Jianmin, Liu Huangsong and Wong Kam Fai William and one non-executive director George Jian Chuang, also joint the Board in October 2006, with the primary duties of reviewing the accounting principles and practices adopted by the Company as well as substantial exceptional items, internal controls and financial reporting matters, which included a review on the audited annual results for the year ended 31 December 2006.

The audit committee held one meeting each in April 2006 and August 2006 to review the full year and half year reports respectively. All members of the committee attended the meetings.

CODE ON CORPORATE GOVERNANCE PRACTICES

Since its establishment, Xinyu Hengdeli has been committed to maintaining a high standard of corporate governance practice to ensure transparency, such that the interests of our shareholders, customers, employees as well as the long term development of the Group can be safeguarded. The Group has established the board of directors, audit committee, remuneration committee and nomination committee that are up to the requirements as being diligent, accountable and professional. KPMG has been appointed as the Group's external auditors, and Guotai Junan Capital Limited has been appointed as the compliance adviser.

The Company has adopted the Code on Corporate Governance Practices (the "Code") of The Stock Exchange of Hong Kong Limited ("Stock Exchange"). In the opinion of the Board of Directors, the Company had complied with the Code on Corporate Governance Practices set out in Appendix 14 to the Listing Rules of the Stock Exchange throughout the year ended 31 December 2006 except for a derivation from the Code provision A.2.1. Given the Group existing corporate structure, the roles of chairman and chief executive officer have not been separated. Although the functions and duties of chairman and chief executive officer have been performed by the same individual, all major decisions would only be made after consultation with the Board of Directors and (where applicable) the committees of the Board of Directors. There are three independent non-executive Directors in the Board of Directors. Therefore the Board considers the Company has achieved balance of power and sufficient protection for its interests.

To maintain a high level of independence and objectivity in decision making, and to exercise its power of supervising the management of the Group in a comprehensive and equitable manner, the Board of Directors comprises of three executive Directors (Messrs. Zhang Yuping, Song Jianwen and Huang Yonghua), four non-executive Directors (Messrs. Chen Sheng, Shi Zhongyang, Shen Zhiyuan and Chuang Jian, George) and three independent non-executive Directors (Messrs. Cai Jianmin, Liu Huangsong and Wong Kam Fai William).

To ensure the Board operates in an independent and accountable manner, the three executive Directors have been assigned with different responsibilities within our operations. Mr. Zhang Yuping, the Chairman, is in charge of the Group's overall management and strategic development, while Mr. Song Jianwen is in charge of finance and investments of the Group, and Mr. Huang Yonghua is in charge of the Group's brand management.

Each of the three independent non-executive Directors has professional expertise and extensive experience in the areas of accounting, economics, computing control and management, and business administration respectively. We believe the independent non-executive Directors can adequately act for the benefits of our shareholders.

In 2006, a total of seven regular meetings were held by the Board of Directors. All members of the Board attended these meetings and the rate of attendance was 100%. The Board of the Company will hold at least four regular meetings each year.

Members of the Board will be provided with appropriate and sufficient information in a timely manner so that they may be updated with the latest developments of the Group and supported in discharge of their duties.

The Board has received confirmation from all independent non-executive Directors regarding their independence made in accordance with Rule 3.13 of the Listing Rules of the Stock Exchange. The Board considers that all current independent non-executive Directors have met the requirements of the guidelines set out in Rule 3.13 of the Listing Rules of the Stock Exchange, and remain independent.

By order of the Board
Zhang Yuping
Chairman

Hong Kong 10 April 2007

As at the date of this announcement, the Executive Directors and Chairman of the Company is Mr. Zhang Yuping (Chairman), the Executive Directors are Mr. Song Jianwen and Mr. Huang Yonghua, the Non-executive Directors are Mr. Chen Sheng, Mr. Shen Zhiyuan, Mr. Shi Zhongyang and Mr. George Jian Chuang, the Independent Non-executive Directors are Mr. Cai Jianmin, Mr. Wong Kam Fai William and Mr. Liu Huangsong.

Please also refer to the published version of this announcement in South China Morning Post.