Dynasty Fine Wines Group Limited
王朝酒業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 828)

PRELIMINARY ANNOUNCEMENT OF RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2005

The board of Directors ("Directors") of Dynasty Fine Wines Group Limited ("the Company") is pleased to report a steady growth in the unaudited results of the Company and its subsidiaries ("the Group") for the first half of 2005. These interim results have been reviewed by the Company's Audit Committee and the Company's auditors, PricewaterhouseCoopers. All of the Audit Committee members are independent non-executive Directors, including the chairman of the Audit Committee.

CONDENSED CONSOLIDATED INCOME STATEMENT
For the six months ended 30 June 2005

		Unaudited	
		Six months ended 30 June	
		2005	2004
	Note	***HK$'000***	*HK$'000*
Turnover	4	**511,610**	445,379
Cost of sales		**(248,090)**	(201,993)
Gross profit		**263,520**	243,386
Other revenue	4	**7,738**	2,353
Distribution costs		**(81,369)**	(84,058)
General and administrative expenses		**(29,415)**	(21,009)
Operating profit	6	**160,474**	140,672
Finance costs		**(369)**	(359)
Profit before taxation		**160,105**	140,313
Taxation	7	**(42,578)**	(38,784)
Profit after tax for the period		**117,527**	101,529
Attributable to:			
Equity holders of the Company		**116,936**	101,218
Minority interest		**591**	311
		117,527	101,529

	Note		
Dividends	8	**46,065**	—
Earnings per share for profit attributable to the equity holders of the Company during the period		***HK cents***	*HK cents*
Basic earnings per share	9	**9.8**	11.2

CONDENSED CONSOLIDATED BALANCE SHEET
As at 30 June 2005

	Note	As at	
		Unaudited	Restated
		30 June	31 December
		2005	2004
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Fixed assets		**240,275**	189,596
Leasehold land and land use rights		**18,844**	16,860
Goodwill		**9,421**	—
Deferred tax assets		**1,212**	1,212
		269,752	207,668
Current assets			
Trade receivables	10	**82,895**	106,097
Other receivables, deposits and prepayments		**28,481**	24,598
Inventories		**240,357**	234,425
Cash and bank balances		**852,623**	227,898
		1,204,356	593,018
Total assets		**1,474,108**	800,686
EQUITY			
Capital and reserves attributable to the Company's equity holders:			
Share capital		**124,500**	90,000
Reserves		**1,143,952**	330,284
		1,268,452	420,284
Minority interest		**28,716**	3,072
		1,297,168	423,356

LIABILITIES			
Current liabilities			
Trade payables	11	**32,153**	45,207
Other payables and accruals		**122,382**	211,761
Amounts due to related companies		**8,060**	11,994
Amount due to a fellow subsidiary		**—**	1,735
Taxation payable		**14,345**	18,142
Short-term bank loan		**—**	14,151
Dividend payable		**—**	74,340
		176,940	377,330
Total equity and liabilities		**1,474,108**	800,686

Notes:

1 Group reorganisation

The Company was incorporated in the Cayman Islands on 29 July 2004 as an exempted company with limited liability under the Companies Law of the Cayman Islands. Pursuant to the reorganisation, as disclosed in the Company's prospectus dated 17 January 2005, prepared for the purpose of listing its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("the Reorganisation"), the Company became the holding company of Grand Spirit Holdings Limited ("Grand Spirit"), Sino-French Joint-Venture Dynasty Winery Ltd. ("Dynasty Winery") and Shandong Yu Huang Grape Wine Co., Ltd ("Yu Huang") on 13 January 2005.

The Company together with its subsidiaries are hereafter collectively referred to as the Group.

The shares of the Company were listed on the Main Board of the Stock Exchange on 26 January 2005.

2 Basis of preparation and accounting policies

These unaudited condensed consolidated accounts are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants and Appendix 16 of the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Group resulting from the Reorganisation referred to in Note 1 above is regarded as a continuity entity. Accordingly, the unaudited condensed consolidated accounts have been prepared on the merger basis as if the Company had been the holding company of the companies comprising the Group as if the group structure as at 13 January 2005 had been in existence from the beginning of 1 January 2004. In the opinion of the Directors, the unaudited condensed accounts prepared on the above basis present more fairly the results, cash flows and state of affairs of the Group as a whole.

These condensed accounts should be read in conjunction with the 2004 Annual Report.

The accounting policies and methods of computation used in the preparation of these condensed accounts are consistent with those used in the annual report for the year ended 31 December 2004, except that upon adoption of the revised Hong Kong Financial Reporting Standards and Hong Kong Accounting Standards ("new HKFRSs") which are effective for accounting periods commencing on or after 1 January 2005, certain of the Group's accounting policies were changed.

These interim accounts have been prepared in accordance with those new HKFRSs and interpretations issued and effective as at the time of preparing this information (July 2005). The new HKFRSs and interpretations that will be applicable at 31 December 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information.

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in Note 3 below.

3 Changes in accounting policies

Effect of adopting new HKFRSs

In 2005, the Group adopted the new HKFRSs below, which are relevant to its operations. The 2004 comparatives have been restated as appropriate.

HKAS 1	Presentation of Financial Statements
HKAS 2	Inventories
HKAS 7	Cash Flow Statements
HKAS 8	Accounting Policies, Changes in Accounting Estimates and Errors
HKAS 10	Events after the Balance Sheet Date
HKAS 16	Property, Plant and Equipment
HKAS 17	Leases
HKAS 21	The Effects of Changes in Foreign Exchange Rates
HKAS 23	Borrowing Costs
HKAS 24	Related Party Disclosures
HKAS 27	Consolidated and Separate Financial Statements
HKAS 32	Financial Instruments: Disclosures and Presentation
HKAS 33	Earnings Per Share
HKAS 36	Impairment of Assets
HKAS 39	Financial Instruments: Recognition and Measurement
HKFRS 2	Share-based Payments
HKFRS 3	Business Combinations

Adoption of new HKASs 1, 2, 7, 8, 10, 16, 21, 23, 24, 27 and 33 did not result in substantial changes to the Group's accounting policies. Related impact on presentation of the Group's financials is summarised below.

— HKAS 1 has affected the presentation of minority interest and other disclosures.

— According to HKAS 21, the functional currency of each of the consolidated entities has been re-evaluated based on guidance to the revised standard.

— HKAS 24 has affected the identification of related parties and some other related-party disclosures.

Adoption of revised HKAS 17 has resulted in a change in the accounting policy relating to leasehold land and land use rights. The up-front prepayments made for the leasehold land and land use rights are now reclassified as operating lease and expensed in the income statement on a straight-line basis over the period of the lease or where there is impairment, the impairment is expensed in the income statement in the year identified. In prior years, the leasehold land was accounted for at cost less accumulated depreciation and accumulated impairment.

Adoption of HKASs 32 and 39 has resulted in a change in the accounting policy relating to fair value of financial assets through profit or loss. It has also resulted in the recognition of derivative financial instruments at fair value and the change in the recognition and measurement of hedging activities. Up to 2004, no adjustment is necessary upon adoption of HKASs 32 and 39.

In accordance with the provisions of HKFRS 3 and HKAS 36, goodwill is tested annually for impairment, and also when there is indication of impairment commencing from the year ending 31 December 2005. In accordance with HKFRS 2, cost of share options are expensed in income statement.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards. All standards adopted by the Group require retrospective application other than HKASs 16, 21, 39 and HKFRSs 2 and 3.

4 Turnover and other revenue

The Group is principally engaged in the manufacturing and sale of wine products. Revenue recognised during the period is as follows:

	Unaudited	
	Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Turnover		
Manufacturing and sale of wine products	**511,610**	445,379
Other revenue		
Interest income	**7,738**	2,353
	519,348	447,732

5 Segment information

Manufacturing and sale of wine products is the only business segment of the Group for the periods ended 30 June 2004 and 2005. All operating assets of the Group for the periods ended 30 June 2004 and 2005 are located in the PRC. Accordingly, no separate business and geographic segment information is presented.

6 Operating profit

Operating profit is stated after charging:

	Unaudited Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Employee costs including directors' emoluments	**26,214**	20,763
Depreciation	**10,225**	8,139
Amortisation	**338**	418
Loss on disposal of fixed assets	**—**	19
Operating lease rentals in respect of		
— storage facilities and plant and machinery	**1,698**	1,698
— transformation station	**1,020**	1,020
— office premises	**747**	—

7 Taxation

	Unaudited Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Current taxation:		
— PRC income tax	**42,578**	38,275
— underprovision in previous years	**—**	509
	42,578	38,784

No provision for Hong Kong profits tax has been made as the Group has no estimated assessable profit in Hong Kong.

Provision for PRC income tax has been made at the applicable rate on the estimated assessable profit for the period. The applicable rate for Dynasty Winery and Tianjin Tianyang Grape Extracting Co., Limited is 24% for the periods ended 30 June 2004 and 2005, being the preferential rate for foreign investment production enterprises established in a coastal economic development zone. The applicable rate for Yu Huang is 30% for the periods ended 30 June 2004 and 2005.

8 Dividends

	Unaudited Six months ended 30 June	
	2005	2004
	HK$'000	*HK$'000*
Interim dividend proposed of HK3.7 cents per ordinary share	**46,065**	—

Note:

On 13 September 2005, the directors declared an interim dividend of HK3.7 cents per ordinary share. This declared dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profit for the year ending 31 December 2005.

9 Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to equity holders of the Company of HK$116,936,000 and the weighted average number of 1,195,856,354 shares in issue during the period.

The comparative basic earnings per share is calculated based on profit attributable to equity holders of the Company of HK$101,218,000 and an aggregate of 900,000,000 shares comprising 100 shares issued immediately after incorporation of the Company and 899,999,900 shares issued upon the Reorganisation, which were deemed to have been in issue since 1 January 2004.

The exercise of share options would have no material dilutive effect of earnings per share for the periods ended 30 June 2004 and 2005.

10. Trade receivables

In general, the Group grants a credit period of 30 to 90 days to its customers. The aging analysis of trade receivables is as follows:

	Unaudited 30 June 2005 ***HK$'000***	Audited 31 December 2004 *HK$'000*
Below 30 days	**38,666**	76,241
30 to 90 days	**24,671**	21,062
91 to 180 days	**17,806**	11,819
Over 180 days	**5,641**	864
	86,784	109,986
Less: Provision for doubtful debts	**(3,889)**	(3,889)
	82,895	106,097

11. Trade payables

The aging analysis of the trade payables is as follows:

	Unaudited 30 June 2005 ***HK$'000***	Audited 31 December 2004 *HK$'000*
Below 30 days	**29,977**	41,574
30 to 90 days	**—**	337
91 to 180 days	**—**	1,871
Over 180 days	**2,176**	1,425
	32,153	45,207

12 Comparative figures

Comparative figures have been translated into Hong Kong dollars to conform with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview

For the six months ended 30 June 2005, our turnover was HK$512 million (2004 — HK$445 million), increased by 14.9% and our profit attributable to equity holders of the Company was HK$117 million (2004 — HK$101 million), increased by 15.5%.

Earnings per share of the Company ("Share") was HK9.8 cents per Share based on the weighted average number of 1,195,856,354 Shares in issue during the period (2004 — HK11.2 cents per Share on a pro forma basis as if 900,000,000 Shares were outstanding since 1 January 2004).

As there was no dilutive potential ordinary Share outstanding as at 30 June 2005, dilutive earnings per Share are not presented.

The satisfactory financial results in the first half of 2005 were mainly attributable to the growth in sales volume and the relatively stable distribution costs and general and administrative expenses. As a reflection of the good performance and generally positive outlook, the Directors have resolved to pay an interim dividend of HK3.7 cents per Share.

Financial review

— *Turnover*

Turnover for the six months ended 30 June 2005 increased by 14.9% to HK$512 million, from HK$445 million in the first half of 2004 as a result of increase in sales volume. This increase was attributable to the sales and marketing effort and the organic growth of the overall grape wine market in the PRC.

The Group's average ex-factory sales prices during the period under review for red and white wine products had been relatively stable compared to 2004 yearly average price of HK$20.8 per bottle (750ml). The average ex-factory sales prices of the Group's red wine products are, however, in general higher than the Group's white wine products. Based on consumers in the PRC having a prevalent preference in favour of red wine products, the Group is able to set higher prices for its red wine products.

— *Cost of sales*

The following table sets forth the major components of our cost of sales for the period under review:

	For the six months ended 30 June	
	2005	2004
	%	%
Cost of raw materials		
• Grapes and grape juice	**38.4**	35.1
• Yeast and additives	**1.8**	1.5
• Packaging materials	**27.4**	29.2
• Others	**1.8**	1.8
Total cost of raw materials	**69.4**	67.6
Manufacturing overheads	**10.1**	10.4
Consumption tax	**20.5**	22.0
Total cost of sales	**100.0**	100.0

The major raw materials required by the Group in producing wine products are grapes, grape juice, yeast and additives and packaging materials. During the period under review, the cost of grapes and grape juice accounted for approximately 38.4% of the Group's total cost of sales, an increase of 3.3 percentage points from approximately 35.1% in the corresponding period in 2004 and was due to the unfavorable demand and supply situation of grapes or grape juice. The average cost of packaging materials was relatively stable during the period under review as compared with the preceding period.

Manufacturing overheads consist primarily of depreciation or rental of fixed assets, supplies, utilities, repair and maintenance expenses, salaries and related personnel expenses for the production and related departments and other incidental expenses for production. During the period, manufacturing overheads did not fluctuate significantly as a percentage of turnover.

— *Gross profit margin*

During the period under review, the gross margin was calculated based on cost of sales inclusive of consumption tax over gross invoiced sales. Overall gross profit margin reached 51.5% in the first half of 2005, a decline of 3.1 percentage points from 54.6% in the corresponding period in 2004 and was primarily due to higher purchase cost of grape juice as compared to the first half of 2004. The gross margin of red wine products and white wine products were 51.9% and 42.3% respectively (2004 — 55.4% and 43.4% respectively). The higher gross margin of the red wine products was attributable to their higher sales prices.

— *Distribution costs*

Distribution costs include principally advertising and market promotion expenses, transportation and delivery charges in connection with the sales of wine products, salaries and related personnel expenses for the sales and marketing department and other incidental expenses.

During the period under review, distribution costs decreased and accounted for approximately 15.9% (2004 — 18.9%) of the Group's turnover. In particular, advertising and market promotion expenses accounted for approximately 8.6% (2004 — 12.0%) of the Group's turnover. The decrease in percentage reflected that turnover outgrew the effect of incurring more advertising and market promotion expenses during the period. We expect advertising and market promotion expenses to increase in line with the growth in turnover of the Group in the foreseeable future so as to allow the Group to maintain consumer awareness of our brand name — "Dynasty", to increase the market share and also to facilitate the launch of new products.

— *General and administrative expenses*

General and administrative expenses consist primarily of salaries and related personnel expenses for administrative, finance and human resources departments, provision for doubtful debts and write off for obsolete inventories, depreciation and amortisation expense and other incidental administrative expenses.

During the period under review, general and administrative expenses remained relatively stable and accounted for approximately 5.7% (2004 — 4.7%) of the Group's turnover.

— *Taxation expense*

Under the current laws of the Cayman Islands and the British Virgin Islands ("BVI"), neither the Company nor its subsidiaries incorporated in BVI is subject to tax on its income or capital gains. In addition, payment of dividends by them is not subject to withholding tax in those jurisdictions.

Pursuant to the relevant income tax rules and regulations of the PRC, the applicable tax rate for Dynasty Winery, our major operating subsidiary, and for Tianjin Tianyang Grape Extracting Co. Ltd, another subsidiary of the Group, is 24%, being the preferential income tax rate for foreign investment production enterprises established in a coastal economic development zone. The applicable rate for Yu Huang, another subsidiary of the Group, is 30%. During the period under review, the effective tax rate of the Group was slightly lowered to approximately 26.6% (2004 — 27.6%).

— *Cash flow*

In the first half of 2005, the Group's source of cash flow was mainly from its financing activities. The Group's cash has principally been applied to pay the consideration for acquisition of Smiling East Resources Limited ("Smiling East"), 2004 special dividends to shareholders and listing expenses.

The decrease in cash inflow from operating activities from HK$102.0 million in 2004 to HK$52.4 million in 2005 was primarily attributable to the effects of the changes in working capital, mainly other payables and accruals.

Net cash used in investing activities was primarily attributable to the acquisition of Smiling East pursuant to the plan disclosed in the prospectus dated 17 January 2005 and amounting to approximately HK$47.0 million (2004 — HK$Nil).

Net cash inflow in financing activities was primarily attributable to the net proceeds from the placing and public offer approximately HK$724 million (2004 — HK$Nil) and offset by the payment of dividends to shareholders of approximately HK$78.7 million (2004 — HK$Nil).

— *Financial management and treasury policy*

As at 30 June 2005, except for the net proceeds from the placing and public offer, the Group's revenues, expenses, assets and liabilities are substantially denominated in RMB. Accordingly, the Group does not anticipate significant exposure to foreign currency fluctuation. The Group has maintained sufficient financial resources and is in a net cash position, thus we are exposed to minimal financial risk on interest rate fluctuation.

As at the date of this announcement, almost all of our cash and bank balances are denominated either in RMB, Hong Kong dollars or United States dollars. The net proceeds from the placing and public offer that were not already used for the intended purposes have been placed on short-term deposits with authorised financial institutions in Hong Kong. The Group has established an investment policy with the objective of monitoring the investments of the Group's uncommitted funds to ensure the achievement of the highest practicable return on the investments with priority on capital preservation and liquidity.

Business review

— *Sales analysis*

During the period under review, the Group experienced satisfactory growth in sales volume. The number of bottles of wine sold increased from approximately 20.8 million in the first half of 2004 to approximately 24.9 million in the first half of 2005, whilst the average ex-factory sale price remained relatively stable. The primary revenue sources of the Group continued to be red wine product sales which accounted for approximately 95.1% of the Group's turnover for the period (2004 — 94.2%). Dynasty Dry Red, the prototype of our mass market product, remained as the Group's best selling wine product, accounting for approximately 49.6% of the Group's turnover (2004 — 50.4%).

During the period under review, we sold our products in all provinces and autonomous regions and four municipalities directly under the central government of the PRC. Huadong region, or Eastern region of the PRC, still remained as our primary market. In addition to the primary market, we are expanding the sales of our products in other markets, such as Guangdong, Jiangxi, Hunan and Hubei, etc., in the PRC as well as to enhance our marketing and promotion efforts in other coastal provinces in order to increase market share in those markets. Overseas sales remained insignificant at 0.2% (2004 — 0.1%) of our turnover during the period as the domestic market was our primary focus.

We produce over 50 products under the "Dynasty" brand name to meet different consumer demands in the PRC grape wine market and focus on medium to high end segments. With a diversified and high quality product portfolio, we believe we will be able to attract higher end consumers by introducing premium higher end products. During the period under review, sales of premium wine products, such as Dynasty Dry Red Wine-Aged in Oak Barrels and Dry Red and Dry White Wine-Seven-Year Reserve that were launched in 2003, saw encouraging growth. Although sales of these products made up an insignificant contribution to our turnover during the period, we believe these products will become an increasingly significant source of our future growth.

— *Supplies of grapes or grape juice*

The production and quality of wine products is highly dependent upon sufficient supply of quality grapes or grape juice. We currently have over 10 major grape juice suppliers, mainly located in Tianjin, Shandong, Hebei and Ningxia, with whom we have had long term relationships. To ensure reliable and solid supplies of quality grapes and grape juice to meet the needs of the growing business and our expected increasing demand generated from the production capacity expansion plan, we are working with our grape growing partners on enlarging their vineyards to increase harvests and also identify new suppliers who can meet our quality requirements. Such measures will enable us to secure grape supplies and lower the risk of our production being interrupted by effects of weather, affecting the quality of our grapes or grape juice. We will also explore opportunities of acquiring grape juice suppliers in the PRC or overseas.

— *Production capacity*

The progress of production capacity expansion from 30,000 tonnes (equivalent to approximately 40.0 million bottles) to 50,000 tonnes (equivalent to approximately 66.7 million bottles) per annum is in accordance with our schedule and is expected to be completed around mid–2006. The management will put all its efforts into ensuring the timely, or even early, completion of the plan. During the period, we commenced a feasibility study on the establishment of a new production facility and identified an appropriate site in Tianjin for that purpose. The new production facility, expected to be completed by the end of 2008, will further increase our production capacity to 70,000 tonnes (equivalent to approximately 93.3 million bottles) per annum.

— *Prospects*

Successful listing on the Main Board in January 2005 was a historical milestone of the Group. Our financial position have since benefited significantly, laying the foundation for our further growth in the industry. Looking ahead, we will continue to capitalise on the robust market demand of grape wine products in the PRC in order to maximise business growth in the future. By leveraging the advantages of the Group in a wide range of areas, such as our reputable brand name, comprehensive product and market knowledge and extensive distribution network, further upgrading our product mix and pursuing appropriate capacity expansion strategies, we will further consolidate and strengthen our leading position in the PRC and generate greater value for our shareholders in the years ahead.

To cope with the Group's long term development and to crystallize our business plan as set out in our prospectus dated 17 January 2005, we are planning to build a new production facility in Tianjin to further boost our production capacity. Moreover, we are in discussion with certain companies in complementary wine business, which we consider as possible targets of acquisition in the future. As at the date of this announcement, no agreement was entered into between the Group and other parties in this regard.

Employees

The Group employed 386 staff (including Directors) in Hong Kong and the PRC. The increase in manpower occurred mainly due to the acquisition of Smiling East. Total salaries and related costs incurred for the six months ended 30 June 2005 amounted to HK$26.2 million. The Group offers competitive remuneration packages commensurate with industry level and provides various fringe benefits, including trainings, medical, insurance coverage as well as retirement benefits to all employees in Hong Kong and in the PRC.

The Company also adopted a share option scheme on 6 December 2004 for the purposes of providing incentives and rewards to eligible participants who have contributed to the success of our operations. Up to the date of this announcement, 23,100,000 share options were granted under the scheme.

Liquidity and financial resources

The Group's cash balances as at 30 June 2005 amounted to HK$853 million and net cash inflow from operating activities are ample enough to satisfy the working capital requirement for the business operations and capital expenditures. No bank debts were recorded and the gearing of the Group was net cash as at 30 June 2005, reflecting the sound capital structure of the Group. New investment will be funded by the Group's internal resources.

Capital structure

Upon the completion of the placing and public offer, the net proceeds from our listing further strengthen our capital structure and we expect our cash to be sufficient for meeting our operating and capital expenditure requirements in the foreseeable future.

The market capitalisation of the Company as at 30 June 2005 was approximately HK$3,424 million.

Capital commitments, contingencies and charges on assets

The Group has made capital expenditure commitments mainly for machineries of approximately HK$144.6 million which are authorised but not contracted for and approximately HK$7.2 million which are contracted but not provided for in the financial statements as at 30 June 2005. These commitments, mainly related to the expansion of the Group's production capacity, are expected to be paid within one year. The funding of such capital commitments will be out of the proceeds of the new issue as stated in the prospectus.

As at 30 June 2005, none of the Group's assets were charged or subject to any encumbrance and the Group had no material contingent liabilities.

Interim Dividend

The Directors are pleased to declare an interim dividend of HK3.7 cents per Share. The interim dividend will be paid to shareholders whose names appear on the Register of Members on Wednesday, 19 October 2005. The interim dividend will be paid on Wednesday, 2 November 2005.

Closure of Register of Members

The Register of Members of the Company will be closed from Monday, 17 October 2005 to Wednesday, 19 October 2005, both days inclusive, during which period no share transfer will be effected. In order to qualify for the interim dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Ground Floor, Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong, for registration of not later than 4:30 pm on Friday, 14 October 2005.

Purchase, Sale or Redemption of Shares of the Company

Pursuant to the international underwriting agreement dated 21 January 2005, the Company granted an option ("Over-allotment Option") to the international placing underwriters exercisable by ABN AMRO Rothschild, to require the Company to allot and issue up to an aggregate of 45,000,000 additional Shares to cover over-allocation in the international placing. The exercise price per Share for the Over-allotment Option is HK$2.25. On 1 February 2005, the Over-allotment Option was fully exercised and, as a result, the Company issued 45,000,000 additional Shares.

Except for as disclosed above, since the listing of the Company's Shares on the Stock Exchange on 26 January 2005 and up to 30 June 2005, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's Shares.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted procedures governing Directors' securities transactions in compliance with the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 of the Listing Rules. Upon enquiry by the Company, all Directors had confirmed that they had complied with the required standards set out in the Model Code throughout the six months ended 30 June 2005.

Corporate Governance

The Company recognises its responsibilities to shareholders and aims to protect and enhance shareholder value through solid corporate governance. Considerable efforts are devoted to identify and formalise best practices. The Group is committed to ensuring even greater transparency and quality of disclosures. The Board has been and will continue to uphold the appropriate standards of corporate governance within the Group, thereby ensuring that all business is conducted in an honest, ethical and responsible manner.

The Company had complied throughout the half-year ended 30 June 2005 with the Code Provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Publication of Interim Results on the Website of the Stock Exchange

All the financial and other related information required by Appendix 16 of the Listing Rules will be published on the website of the Stock Exchange in due course.

By order of the Board
Mr. He Xiuheng
Chairman

Hong Kong, 13 September 2005

As at the date of this announcement, the Board of Directors comprises of 5 executive directors, namely, Mr. He Xiuheng, Mr. Gao Xiaode, Mr. Nie Jiansheng, Mr. Bai Zhisheng and Mr. Chen Naiming, 6 non-executive directors, namely, Mr. Heriard-Dubreuil Francois, Mr. Wang Guanghao, Mr. Cheung Wai Ying, Benny, Mr. Zhang Wenlin, Mr. Wong Ching Chung and Mr. Robert Luc, and 3 independent non-executive directors, namely, Mr. Lai Ming, Joseph, Mr. Hui Ho Ming, Herbert and Mr. Chau Ka Wah, Arthur.

Please also refer to the published version of this announcement in ***(South China Morning Post)***