

董事報告

Directors' Report

本公司董事（「董事」）欣然提呈其首份年報連同截至二零零六年十二月三十一日止年度本公司及其附屬公司（統稱為「本集團」）之經審核財務報表。

集團重組及於聯交所上市

本公司於二零零四年十二月七日根據開曼群島法例第二十二章公司法（一九六一年第三條法例，經綜合及修訂），在開曼群島註冊成立為一間豁免有限公司。

根據一系列集團重組程序（「重組」），本公司自二零零四年十二月三十日起成為現時本集團旗下附屬公司之控股公司。重組詳情載於本公司於二零零六年十月十七日之招股章程。本公司股份於二零零六年十月二十七日在聯交所主板上市及買賣。

主要業務

本公司為投資控股公司，本集團之主要業務為研發、生產及銷售精細化學品。該等產品大致分別兩個主要產品類別：氰乙酸酯類產品及醇類產品。

本集團截至二零零六年十二月三十一日止年度之營運按主要業務及業務地區劃分之分析載列於財務報表附註5。

業績及分派

本集團截至二零零六年十二月三十一日止年度之業績載於第46頁之綜合收益表。

董事並不建議就二零零六年十二月三十一日止年度派付末期股息。

股本

年內本公司股本之變動詳情載於本公司截至二零零六年十二月三十一日止年度之財務報表附註23。

年內上市後，本公司及其任何附屬公司概無購買、出售或贖回本公司任何上市證券。

The directors of the Company (the "Directors") have pleasure in presenting their first annual report together with the audited financial statements of the Company and of its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

GROUP REORGANISATION AND LISTING ON THE STOCK EXCHANGE

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 7 December 2004 under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation"), the Company has become the holding company of the subsidiaries now comprising the Group since 30 December 2004. Details of the Reorganisation are set out in the prospectus of the Company dated 17 October 2006. The shares of the Company have been listed and traded on the Main Board of the Stock Exchange since 27 October 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal business of the Group is the research and development, production and sale of fine chemical products, which is broadly categorised into two major product groups, namely cyanoacetate products and alcoholic products.

An analysis of the Group's performance by principal activities and geographical locations of operations for the year ended 31 December 2006 is set out in note 5 to the financial statements.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2006 are set out in the Consolidated Income Statement on page 46.

The Directors do not recommend the payment of a final dividend for the year ended 31 December 2006.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 23 to the financial statements of the Company for the year ended 31 December 2006.

During the year after the Listing, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

財務概要

本集團於截至二零零六年十二月三十一日止過往四個財政年度之業績以及本集團於二零零三年、二零零四年、二零零五年及二零零六年十二月三十一日之資產與負債之概要載於年報第84頁。

儲備

本公司之儲備變動詳情載於年報第48頁之綜合權益變動表。

本公司可供分派儲備

於二零零六年十二月三十一日，根據開曼群島法例第二十二章公司法，在組織章程大綱或細則規限下，本公司之股份溢價賬可供向股東分派或派付股息，惟於緊隨股息分派後，本公司須有能力償還其於一般業務中到期之債務。於二零零六年十二月三十一日，本公司可供分派予股東之儲備合共約為人民幣238,400,000元（二零零五年：人民幣117,500,000元）。

物業、廠房及設備及預付租賃款項

年內本集團耗用約人民幣102,100,000元於預付租賃款項以及物業、廠房及設備，以擴充生產能力。年內，有關預付租賃款項及物業、廠房及設備之變動詳情分別載於本公司於截至二零零六年十二月三十一日止年度之財務報表附註13及附註14。

主要客戶及供應商

截至二零零六年十二月三十一日止年度，五大客戶佔本集團總營業額約28.6%（二零零五年：27.9%），而本集團最大客戶應佔營業額則佔本集團總營業額約7.4%（二零零五年：8.1%）。

截至二零零六年十二月三十一日止年度，五大供應商佔本集團總採購額約45.1%（二零零五年：46.7%），而本集團最大供應商應佔採購額則佔本集團總採購額約13.5%（二零零五年：12.3%）。

FINANCIAL SUMMARY

A summary of the results of the Group for the past four financial years ended 31 December 2006 and assets and liabilities of the Group as at 31 December 2003, 2004, 2005 and 2006 are set out on page 84 of the annual report.

RESERVES

Details of movements in the reserves of the Company are set out in the consolidated statement of changes in equity on page 48 of the annual report.

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2006, under Chapter 22 of the Companies Law of the Cayman Islands, the share premium account of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of dividend, the Company is able to pay its debts as they fall due in the ordinary course of business. At 31 December 2006, the Company's reserves available for distribution to shareholders amounted in total to approximately RMB238.4 million (2005: RMB117.5 million).

PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

During the year, the Group spent approximately RMB102.1 million on prepaid lease payments and property, plant and equipment to expand its production capabilities. Details of the movements during the year in the prepaid lease payments and property, plant and equipment of the Group are set out in note 13 and note 14 to the financial statements of the Company for the year ended 31 December 2006 respectively.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2006, the five largest customers accounted for approximately 28.6% (2005: 27.9%) of the Group's total turnover, whilst turnover attributable to the Group's largest customer accounted for approximately 7.4% (2005: 8.1%) of the Group's total turnover.

For the year ended 31 December 2006, the five largest suppliers accounted for approximately 45.1% (2005: 46.7%) of the Group's total purchases, whilst purchases attributable to the Group's largest supplier accounted for approximately 13.5% (2005: 12.3%) of the Group's total purchases.

董事報告 (續)

Directors' Report (continued)

主要客戶及供應商 (續)

本公司任何董事、其聯繫人或就董事所知擁有本公司股本5%以上之任何本公司股東，概無於年內任何時間在本集團五大客戶及供應商中擁有任何權益。

董事及服務合約

於本財政年度及截至本報告刊發當日之董事如下：

執行董事：

劉洪亮先生 (於二零零六年十月四日獲委任)
王子江先生 (於二零零六年十月四日獲委任)
郭希田先生 (於二零零六年十月四日獲委任)
郭玉成先生 (於二零零六年十月四日獲委任)

獨立非執行董事：

梁錦雲先生 (於二零零七年三月一日獲委任)
翟軍先生 (於二零零六年十月四日獲委任而於二零零七年三月一日辭任)
劉晨光先生 (於二零零六年十月四日獲委任)
高寶玉先生 (於二零零六年十月四日獲委任)

根據本公司組織章程細則第86及87條，王子江先生、郭玉成先生、劉晨光先生、高寶玉先生及梁錦雲先生將於應屆股東週年大會上輪值告退，惟符合資格並願意膺選連任為董事。

獨立非執行董事之任期初步不多於三年，並將自動續任三年，直至任何一方向對方發出不少於一個月之書面通知終止任期為止。

執行董事均與本公司訂立服務合約，由二零零六年十月四日起為期三年。其後，除非一方提前三個月向另一方發出書面通知予以終止，否則董事任期將會按年延續。

擬於應屆股東週年大會上膺選連任之董事概無與本公司或其附屬公司訂立本公司不可於一年內終止而毋須作出賠償 (法定賠償除外) 之未屆滿服務合約。

MAJOR CUSTOMERS AND SUPPLIERS

(continued)

At no time during the year did any Director, any associate of a Director or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) has an interest in any of the Group's five largest customers and suppliers.

DIRECTORS AND SERVICE CONTRACTS

The Directors during the financial year and up to date of this report are:

Executive Directors:

Mr. Liu Hongliang (appointed on 4 October 2006)
Mr. Wang Zijiang (appointed on 4 October 2006)
Mr. Guo Xitian (appointed on 4 October 2006)
Mr. Guo Yucheng (appointed on 4 October 2006)

Independent non-executive Directors:

Mr. Leung Kam Wan (appointed on 1 March 2007)
Mr. Chak Kwan (appointed on 4 October 2006 and resigned on 1 March 2007)
Mr. Liu Chenguang (appointed on 4 October 2006)
Mr. Gao Baoyu (appointed on 4 October 2006)

In accordance with Article 86 and 87 of the Company's Articles of Association, Mr. Wang Zijiang, Mr. Guo Yucheng, Mr. Liu Chenguang, Mr. Gao Baoyu and Mr. Leung Kam Wan shall retire and, being eligible, offer themselves for re-election as Directors at the forthcoming annual general meeting.

The independent non-executive Directors were appointed for an initial term of not more than three years and will be renewable automatically for successive term of three years until terminated by not less than one month's notice in writing served by either party on the other.

The executive Directors have entered into service contracts with the Company for a term of 3 years commencing on 4 October 2006 and thereafter shall continue from year to year until terminated by giving three month's notice in writing thereof by either party to the other.

No Directors proposed for re-election at the forthcoming annual general meeting has an unexpired service contract which is not determinable by the Company or any its subsidiaries within one year without payment of compensation, other than statutory compensation.

董事報告 (續)

Directors' Report (continued)

董事之合約權益

除本報告題為「關連交易」一段及本公司截至二零零六年十二月三十一日止年度財務報表附註27「關連人士交易」所披露者外，本公司各董事在本公司或其附屬公司所訂立而於年終或年內任何時間仍然有效且與本集團業務有關之重大合約中概無直接或間接擁有重大權益。

董事於股份之權益及淡倉

於二零零六年十二月三十一日，本公司董事及主要行政人員於本公司股份及債券或任何相聯法團（定義見在證券及期貨條例（「證券及期貨條例」）第XV部）之股份或債券中擁有根據證券及期貨條例第352條記錄於本公司須存置之登記冊中，或根據上市規則中上市公司董事進行證券交易的標準守則（「標準守則」）須知會本公司及聯交所之權益及淡倉如下：

持有本公司股份之好倉

董事姓名 Name of Directors	公司／相聯法團名稱 Company/name of associated corporation (附註1) (Note 1)	所持股份／ 股份權益 Number of shares held/interest in the Shares	身份 Capacity	佔已發行股本總數 概約百分比(%) Approximate % in the total issued share capital
劉洪亮先生 Mr. Liu Hongliang	志峰集團有限公司 Cheerhill Group Limited	300,000,000 (附註2) (Note 2)	受控法團 之權益 Interest of controlled corporation	75.00%

附註:

- 該等300,000,000股股份由志峰集團有限公司（「志峰」）持有，其全部已發行股本分別由劉洪亮先生、王子江先生、郭希田先生、鄭虹女士、郭玉成先生及傅安旭先生分別最終實益擁有38%、26%、11.5%、11.5%、6.5%及6.5%。
- 由於劉先生於志峰擁有38%權益，其被視為於上文附註1所述之300,000,000股股份擁有權益。

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in the paragraph headed "Connected Transactions" set out in this report and note 27 to the financial statements of the Company for the year ended 31 December 2006 on "Related Party Transactions", no contracts of significance in relation to the Group's business to which the Company or its subsidiaries was a party and in which a Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or any time during the year.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES

At 31 December 2006, the interests and short positions of the Directors and chief executives of the Company in the shares and debentures of the Company or the shares of debentures of any associated corporation (within the meaning of Part XV of the Securities and Future Ordinance ("SFO")), as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code ("Model Code") for Securities Transactions by Directors of Listed Companies in the Listing Rules, were as follows:

Long Position in the shares of the Company

所持股份／ 股份權益 Number of shares held/interest in the Shares	身份 Capacity	佔已發行股本總數 概約百分比(%) Approximate % in the total issued share capital
300,000,000 (附註2) (Note 2)	受控法團 之權益 Interest of controlled corporation	75.00%

Notes:

- The 300,000,000 Shares were held by Cheerhill Group Limited ("Cheerhill"), the entire issued share capital of which is ultimately beneficially owned as to 38% by Mr. Liu Hongliang, 26% by Mr. Wang Zijiang, 11.5% by Mr. Guo Xitian, 11.5% by Ms. Zheng Hong, 6.5% by Mr. Guo Yucheng and 6.5% by Mr. Fu Anxu.
- Mr. Liu is deemed to be interested in 300,000,000 Shares referred to in Note 1 above by virtue of his 38% interest in Cheerhill.

董事報告 (續)

Directors' Report (continued)

董事於股份之權益及淡倉 (續)

除上文披露者外，於二零零六年十二月三十一日，本公司之董事、主要行政人員或彼等之聯繫人概無於本公司或其任何相聯法團之任何股份、相關股份或債券中擁有任何權益或淡倉。

主要股東

於二零零六年十二月三十一日，按本公司根據證券及期貨條例第336條存置之主要股東名冊內顯示，以下人士已知會本公司彼等於本公司已發行股本中擁有相關權益：

主要股東於股份及／或相關股份中持有之好倉

股東名稱 Name of shareholders	所持股份／ 股份權益及權益總額 Number of shares held/interest in the Shares and aggregated interest	身份 Capacity	佔已發行股本總數 概約百分比(%) Approximate % in the total issued share capital
志峰 Cheerhill	300,000,000	實益擁有人 Beneficiary owned	75.00%
荷蘭銀行控股有限公司 ABN AMRO Holdings Limited	20,064,000	投資基金 Investment Fund	5.02%

除上文所披露者外，截至二零零六年十二月三十一日，本公司並無獲任何人士知會於本公司之股份或相關股份中，擁有任何根據證券及期貨條例須知會本公司之權益或淡倉，或擁有本公司根據證券及期貨條例第336條存置之登記冊中記錄之權益或淡倉。

購買股份或債券之安排

本公司、其控股公司、或其任何附屬公司及同系附屬公司概無於回顧年度內上市後任何時間訂立任何安排，致使董事可藉購買本公司或任何其他法人團體之股份或債券而獲益。

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES (continued)

Other than as disclosed above, at 31 December 2006, none of the Directors, chief executives of the Company, nor their associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2006, the register of substantial shareholders maintained by the Company pursuant to section 336 of the SFO shows that the following shareholders had notified the Company of their relevant interests in the issued share capital of the Company:

Long position of substantial shareholders in the shares and/or underlying shares

Save as disclosed above, the Company has not been notified by any person who had any interest or short position in the shares or underlying shares of the Company as at 31 December 2006, which are required to be notified to the Company under the SFO or which are recorded in the register required to be kept by the Company under section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the year after the Listing was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

董事於重要合約之權益

本公司、其控股公司、或其任何同系附屬公司及附屬公司概無訂立於本年度年結日或回顧年度內任何時間仍然有效而董事於其中直接或間接擁有重大權益之重要合約。

管理層合約

回顧年度內概無訂立或存在任何有關本公司及本集團業務全部或主要部分之管理或行政之合約。

獨立非執行董事確認

本公司已收到每位獨立非執行董事根據上市規則第3.13條規定就其獨立性發出之年度確認書。本公司認為所有獨立非執行董事均為獨立人士。

關連交易

根據本集團主要營運附屬公司濰坊同業與濰坊天弘之間訂立之租約（「該租約」），濰坊同業由二零零六年四月一日起租賃由濰坊天弘擁有之辦公室物業，租期一年，年租金人民幣155,400元，於每年年底前支付。因本公司執行董事劉洪亮先生、王子江先生、郭希田先生及郭玉成先生控制濰坊天弘之全部投票權，故濰坊天弘為本公司之關連人士。該租約項下之交易構成本公司之持續關連交易。然而，因該租約屬上市規則第14A.33(3)條下之最低限額交易，該租約獲豁免遵守上市規則之申報、公布及獨立股東批准之規定。

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contract of significance, to which the Company, its holding company, or any of its fellow subsidiaries and subsidiaries was a party and in which the Directors had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

MANAGEMENT CONTRACTS

No contract concerning the management and administration of the whole or any substantial part of the business of the Company and the Group was entered into or existed during the year under review.

CONFIRMATION FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

CONNECTED TRANSACTIONS

Pursuant to a lease (the "Lease") entered into between Weifang Common, being a major operating subsidiary of the Group, and Weifang Tianhong, Weifang Common leased the office premises owned by Weifang Tianhong for a term of one year commencing on 1 April 2006 at an annual rental payment of RMB155,400, payable at the end of each year. Weifang Tianhong is a connected person of the Company as Mr. Liu Hongliang, Mr. Wang Zijiang, Mr. Guo Xitian and Mr. Guo Yucheng, all being executive Directors of the Company, have full voting control of Weifang Tianhong. The transaction under the Lease constituted a continuing connected transaction of the Company. However, as the Lease is a de minimis transaction under Rule 14A.33(3) of the Listing Rules, it was exempt from the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

董事報告 (續)

Directors' Report (continued)

關連交易 (續)

除上文所披露者外，回顧年度內，概無任何其他根據上市規則之規定須作披露之關連交易，而本公司、其控股股東、或其任何附屬公司及同系附屬公司之間概無訂立於本年度年結日或回顧年度內任何時間仍然有效，且本公司之董事於其中直接或間接擁有重大權益或根據上市規則或香港法例第32章公司條例之規定為須予披露之重要合約。

薪酬政策

本集團之僱員薪酬政策由人力資源部釐定並根據僱員之功績、資格及能力而提供薪酬待遇。

本公司董事及高級管理層之酬金將由薪酬委員會審閱本集團經營業績、董事及高級管理層所需承擔之責任及可資比較之市場統計數據而定。

本公司設有購股權計劃（「購股權計劃」），旨在獎勵及酬謝對本集團之成功作出貢獻之本集團任何成員公司或聯營公司之董事、合資格僱員及股東或彼等各自之聯繫人。購股權計劃由二零零七年十月四日起生效，有效期為十年，根據購股權計劃可授出最多40,000,000份購股權，購股權賦予其持有人權利認購最多40,000,000股股份。

截至二零零六年十二月三十一日，本公司並無根據購股權計劃授出或同意授出購股權予任何人士。

退休福利計劃

本集團退休福利計劃之詳情載於本公司截至二零零六年十二月三十一日止年度之財務報表附註29。

CONNECTED TRANSACTIONS (continued)

Save as disclosed above, there were no other transactions which need to be disclosed as connected transactions in accordance with the requirements of the Listing Rules and no contract of significance, between the Company, its controlling shareholders, or any of its subsidiaries and fellow subsidiary or in which a director of the Company had a material interest, whether directly or indirectly, or which are required to be disclosed under the Listing Rules or the Companies Ordinance (Chapter 32) of the Laws of Hong Kong subsisted at the end of the year or at any time during the year under review.

EMOLUMENT POLICY

The emolument policy of the Group is set up by its human resources department and seeks to provide remuneration packages on the basis of the merit, qualifications and competence of the employees.

The emoluments of the Directors and senior management of the Company will be reviewed by the Remuneration Committee, having regard to factors including the Group's operating results, responsibilities required of the Directors and senior management and comparable market statistics.

The Company operates a share option scheme (the "Share Option Scheme") for the purpose of providing incentives and rewards to directors, eligible employees, any shareholder of each member of the Group or associated company or any of their respective associates, who contribute to the success of the Group. The Share Option Scheme has become effective for a period of 10 years commencing on 4 October 2007 and up to 40,000,000 options entitling the holders thereof to subscribe for up to 40,000,000 shares may be granted under the Share Option Scheme.

As at 31 December 2006, no option has been granted or agreed to be granted to any person under the Share Option Scheme.

RETIREMENT BENEFITS SCHEMES

Particulars of the retirement benefits schemes of the Group are set out in note 29 to the financial statements of the Company for the year ended 31 December 2006.

優先購買權

本公司之公司細則或開曼群島法例均無載列有關優先購買權之條文，規定本公司須向現有股東按比例提呈發售新股份。

足夠公眾持股量

於刊發本報告前之最後實際可行日期，根據本公司從公開途徑所得的資料及就董事所知，董事確認本公司一直維持上市規則所規定的足夠公眾持股量。

遵守最佳守則之規定

本公司於二零零六年十月二十七日在聯交所上市。於本年報所涵蓋本公司股份於聯交所上市後之餘下會計期間，本公司及其董事確認，就彼等所知，除本公司於截至二零零六年十二月三十一日止年度之企業管治報告所提及者外，本公司已遵守上市規則附錄十四所載之企業管治常規守則之適用守則條文。

本公司已採納標準守則作為董事買賣本公司證券之守則。經本公司作出具體查詢後，本公司之所有董事確認，彼等已於截至二零零六年十二月三十一日止財政年度遵守標準守則之規定標準。

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles and Association or the laws of Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

SUFFICIENCY OF PUBLIC FLOAT

As at the latest practicable date prior to the issue of this report, based on information that is publicly available to the Company and to the best knowledge of the Directors, the Directors confirmed that the Company has maintained sufficient public float as required under the Listing Rules.

COMPLIANCE WITH CODE OF BEST PRACTICES

The Company was listed on the Stock Exchange on 27 October 2006. For the remaining period since the listing of the Company's shares on the Stock Exchange covered by the annual report, the Company and its directors confirm that, to their best knowledge, save and expect those mentioned in the Corporate Governance Report of the Company for the year ended 31 December 2006. The Company has complied with the applicable code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Listing Rules.

The Company has adopted the Model Code as its code for dealing in securities of the Company by the Directors. After specific enquiry by the Company, all the Directors confirmed that they had complied with the required standards set out in the Model Code for the financial year ended 31 December 2006.

董事報告 (續)

Directors' Report (*continued*)

核數師

截至二零零六年十二月三十一日止年度之財務報表已經德勤•關黃陳方會計師行審核，彼因任期屆滿須於本公司應屆股東週年大會上退任，但合資格膺選連任。

承董事會命
主席
劉洪亮

香港，二零零七年四月十三日

AUDITORS

The financial statements for the year ended 31 December 2006 have been audited by Deloitte Touche Tohmatsu who are due to retire and, being eligible, shall offer themselves for reappointment at the forth-coming Annual General Meeting of the Company.

On behalf of the Board
Liu Hongliang
Chairman

Hong Kong, 13 April 2007