Spread Prospects Holdings Limited
展鴻控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 572)

07
Interim Report

CONTENTS

Deloitte.
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TO THE BOARD OF DIRECTORS OF SPREAD PROSPECTS HOLDINGS LIMITED
展鴻控股有限公司
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 4 to 21, which comprises the condensed consolidated balance sheet of Spread Prospects Holdings Limited (the "Company") as of 30 June 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of this interim financial information in accordance with HKAS 34. Our responsibility is to express a conclusion on this interim financial information based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

CONCLUSION

On the basis of our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
19 September 2007

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2007

	NOTES	Six months ended 30 June **2007** RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Turnover	3	**307,383**	254,498
Cost of sales		**(210,778)**	(176,588)
Gross profit		**96,605**	77,910
Other income		**1,969**	1,498
Loss on change in fair values of derivative financial instruments		**(28,710)**	(10,800)
Selling expenses		**(8,953)**	(7,614)
Administrative expenses		**(12,186)**	(6,482)
Finance costs		**(3,265)**	(3,129)
Profit before taxation	4	**45,460**	51,383
Income tax expense	5	**(11,064)**	(8,655)
Profit for the period		**34,396**	42,728
Dividends paid	7	**22,726**	10,553
Earnings per share	8		
- Basic		**RMB0.068**	RMB0.101
- Diluted		**RMB0.066**	RMB0.101

CONDENSED CONSOLIDATED BALANCE SHEET

At 30 June 2007

	NOTES	**30 June 2007 RMB'000 (Unaudited)**	31 December 2006 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**199,401**	181,892
Deposits paid for acquisition of property, plant and equipment		**36,524**	12,110
Prepaid lease payments		**1,992**	2,016
Pledged bank deposits		**5,190**	5,252
		243,107	201,270
Current assets			
Inventories		**23,867**	13,660
Trade receivables	10	**184,766**	125,511
Other receivables, deposits and prepayments		**3,353**	6,765
Prepaid lease payments		**48**	48
Amount due from a director	16	**19**	—
Pledged bank deposits		**12,571**	16,413
Bank balances and cash		**523,467**	393,261
		748,091	555,658
Current liabilities			
Trade payables	11	**34,305**	14,310
Bills payable		**31,535**	39,205
Receipt in advance, other payables and accrued charges		**21,222**	16,431
Amounts due to directors		**—**	248
Taxation payable		**6,173**	3,876
Bank loans - amount due within one year	12	**85,956**	92,290
Derivative financial instruments	13	**114,020**	7,310
		293,211	173,670
Net current assets		**454,880**	381,988
		697,987	583,258

	NOTES	**30 June 2007 RMB'000 (Unaudited)**	31 December 2006 RMB'000 (Audited)
Capital and reserves			
Share capital	14	**60,739**	52,287
Reserves		**637,248**	525,846
Equity attributable to equity holders of the parent		**697,987**	578,133
Non-current liabilities			
Bank loans - amount due after one year	12	**—**	5,125
		697,987	583,258

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2007

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Share options reserve RMB'000	Surplus reserve fund RMB'000 (Note b)	Enterprise expansion fund RMB'000 (Note b)	Retained profits RMB'000	Total RMB'000
At 1 January 2006	44,817	75,177	24,709	—	25,847	7,586	256,343	434,479
Profit for the year and total recognised income	—	—	—	—	—	—	96,502	96,502
Transfer	—	—	—	—	11,839	—	(11,839)	—
Recognition of equity-settled share-based payments	—	—	—	2,424	—	—	—	2,424
Dividend for 2005	—	—	—	—	—	—	(10,553)	(10,553)
Exercise of share options	381	2,706	—	—	—	—	—	3,087
Issue of new shares	2,163	15,141	—	—	—	—	—	17,304
Transaction costs attributable to issue of new shares	—	(598)	—	—	—	—	—	(598)
Issue of new shares on conversion of convertible notes	4,926	30,562	—	—	—	—	—	35,488
At 31 December 2006	52,287	122,988	24,709	2,424	37,686	7,586	330,453	578,133
Profit for the period and total recognised income	—	—	—	—	—	—	34,396	34,396
Recognition of equity-settled share-based payments	—	—	—	4,705	—	—	—	4,705
Dividend paid for 2006	—	—	—	—	—	—	(22,726)	(22,726)
Exercise of share options	2,608	19,054	—	(2,901)	—	—	—	18,761
Issue of new shares	5,844	81,699	—	—	—	—	—	87,543
Transaction costs attributable to issue of new shares	—	(2,825)	—	—	—	—	—	(2,825)
Lapse of share option	—	—	—	(302)	—	—	302	—
At 30 June 2007	60,739	220,916	24,709	3,926	37,686	7,586	342,425	697,987

	Share capital RMB'000	Share premium RMB'000	Special reserve RMB'000 (Note a)	Share options reserve RMB'000	Surplus reserve fund RMB'000 (Note b)	Enterprise expansion fund RMB'000 (Note b)	Retained profits RMB'000	Total RMB'000
At 1 January 2006	44,817	75,177	24,709	—	25,847	7,586	256,343	434,479
Profit for the period and total recognised income	—	—	—	—	—	—	42,728	42,728
Recognition of equity-settled share-based payments	—	—	—	1,267	—	—	—	1,267
Dividend for 2005	—	—	—	—	—	—	(10,553)	(10,553)
At 30 June 2006	44,817	75,177	24,709	1,267	25,847	7,586	288,518	467,921

Notes:

(a) The special reserve of the Group represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation taken place in June 2003.

(b) As stipulated by the relevant laws and regulations in the People's Republic of China (the "PRC"), the PRC subsidiaries of the Company, Fujian Fuwang Metal Products Co., Ltd. ("Fuwang") and Shanxi Zhanpen Metal Products Co., Ltd. ("Zhanpen") are required to provide for the surplus reserve fund and the enterprise expansion fund. Appropriation to such reserve funds are made out of net profit after taxation as reported in the statutory financial statements of the PRC subsidiaries prepared in accordance with PRC Accounting Standards and the amount and allocation basis are decided by their respective board of directors annually. The surplus reserve fund can be used to make up prior year losses of Fuwang and Zhanpen, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the Fuwang and Zhanpen by means of capitalisation issue.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from operating activities	**25,392**	66,787
Net cash used in investing activities		
Purchase of property, plant and equipment	**(13,163)**	(29,670)
Deposits paid for acquisition of property, plant and equipment	**(36,524)**	(11,612)
Other investing cash flows	**5,873**	(1,138)
	(43,814)	(42,420)
Net cash from financing activities		
Proceeds from issue of new shares	**87,543**	—
Proceeds upon entering into swap derivatives	**78,000**	—
Proceeds from exercise of share options	**18,761**	—
Dividend paid	**(22,726)**	(10,553)
Bank loans repaid	**(10,125)**	(3,090)
Expenses paid in connection with the issue of new shares	**(2,825)**	—
Bank loans raised	**—**	10,300
Advance from ultimate holding company	**—**	9,225
Proceeds from issue of warrants	**—**	1,722
Repayment to ultimate holding company	**—**	(4,680)
	148,628	2,924
Net increase in cash and cash equivalents	**130,206**	27,291
Cash and cash equivalents at beginning of the period	**393,261**	336,841
Cash and cash equivalents at end of the period, representing bank balances and cash	**523,467**	364,132

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2007

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the annual financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2006.

In the current interim period, the Group has applied, for the first time, a new Hong Kong Financial Reporting Standard ("HKFRS"), amendment to Hong Kong Accounting Standard ("HKAS") and Interpretations ("INTs") (hereinafter collectively referred to as "new HKFRSs") issued by the HKICPA, which are effective for the Group's financial year beginning on 1 January 2007.

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods are prepared and presented. Accordingly, no prior period adjustment is required.

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

HKAS 23 (Revised)	Borrowing cost [1]
HKFRS 8	Operating segments [1]
HK(IFRIC) - INT 11	HKFRS 2 - Group and treasury share transactions [2]
HK(IFRIC) - INT 12	Service concession arrangements [3]

[1] Effective for annual periods beginning on or after 1 January 2009.
[2] Effective for annual periods beginning on or after 1 March 2007.
[3] Effective for annual periods beginning on or after 1 January 2008.

3. SEGMENT INFORMATION

Business segments

For management reporting purposes, the Group is currently organised into two divisions - (a) manufacture and sale of tinplate cans; and (b) provision of tinplate lacquering and printing services in the PRC. These divisions are the basis on which the Group reports its primary segment information.

The Group's operation by business segment is as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Turnover - external		
Manufacture and sale of tinplate cans	**276,317**	227,230
Tinplate lacquering and printing services	**31,066**	27,268
	307,383	254,498
Segment results		
Manufacture and sale of tinplate cans	**70,629**	57,656
Tinplate lacquering and printing services	**15,413**	12,795
	86,042	70,451
Interest income	**1,969**	1,406
Unallocated corporate expenses	**(10,576)**	(6,545)
Loss on change in fair values of derivative financial instruments	**(28,710)**	(10,800)
Finance costs	**(3,265)**	(3,129)
Profit before taxation	**45,460**	51,383
Income tax expenses	**(11,064)**	(8,655)
Profit for the period	**34,396**	42,728

4. PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Profit before taxation has been arrived at after charging:		
Depreciation of property, plant and equipment	**7,764**	7,149
Minimum lease payments in respect of:		
– land and buildings	**528**	794
– machinery and equipment	**1,180**	750
Release of prepaid lease payments	**24**	24
and after crediting:		
Interest income	**1,969**	1,406

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
The charge comprises:		
Income tax calculated at the rates prevailing in the PRC		
– current period	**11,064**	8,655

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

A PRC subsidiary has operations in the Fujian province, the PRC which is located in a coastal city and economic development zone. The applicable income tax rate for productive enterprises located in coastal cities is 24%, and a reduced rate of 15% for the operational profits derived from the relevant economic development zones, with a local enterprise tax rate of 3%. According to the letter issued by Fuqing State Tax Bureau on 28 March 2003, the local enterprise tax rate of 3% is exempted. In addition, another PRC subsidiary operating in the Shanxi province is exempted from PRC Foreign Enterprise Income Tax commenced in 2005 for three years and thereafter a 50% tax relief for the next two years. The local enterprise tax of 3% is exempted according to local tax preferential policy.

On 16 March 2007, the National People's Congress approved the Unified Corporate Income Tax Law (the "Unified CIT Law"). Accordingly, the tax rate will be unified for both domestic and foreign invested entities at 25%, with certain grandfathering provisions and preferential provisions. The Unified CIT Law will be effective from 1 January 2008.

No provision for deferred taxation has been recognised in the condensed consolidated financial statements as there are no significant temporary differences arising during the period or at the balance sheet date.

6. SHARE-BASED PAYMENTS

The Company has a share option scheme for eligible directors of the Company and eligible employees of the Group and other participants. Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. Details of the share options outstanding during the current period are as follows:

	Number of share options
Outstanding at 1 January 2007	42,240,000
Granted during the period	34,400,000
Exercised during the period	(26,730,000)
Lapsed during the period	(2,000,000)
Outstanding at 30 June 2007	47,910,000

The Company received notional consideration for options granted during the period.

The closing prices of the Company's shares immediately before 2 January 2007, 1 February 2007 and 2 May 2007, the dates of grant of the options that were granted during the period, were HK$0.67, HK$0.75 and HK$0.90 respectively (equivalent to approximately RMB0.674, RMB0.748 and RMB0.888 respectively).

The closing price of the Company's share immediately before 15 May 2007, 31 May 2007, 6 June 2007, 11 June 2007 and 12 June 2007 on which the share options were exercised at HK$0.96, HK$1.25, HK$1.52, HK$1.59 and HK$1.66 respectively (equivalent to approximately RMB0.945, RMB1.226, RMB1.490, RMB1.560 and RMB1.562 respectively).

The closing price of the Company's share immediately before 5 January 2007 on which the share options were lapsed was HK$0.71 (equivalent approximately RMB0.713).

The estimated fair value of the share options granted on those dates were HK$1,885,000, HK$1,344,000 and HK$1,602,000 respectively (equivalent to approximately RMB1,835,000, RMB1,309,000 and RMB1,561,000 respectively). Details of the fair value of the share options determined at the dates of grant on 2 January 2007, 1 February 2007 and 2 May 2007 using the Black-Scholes option pricing model with the inputs are as follows:

	2 January 2007	**1 February 2007**	**2 May 2007**
Grant date share price	HK$0.670	HK$0.750	HK$0.900
Exercise price	HK$0.670	HK$0.750	HK$0.912
Expected volatility	43.16%	43.09%	36.05%
Expected life of options	2 years	2 years	2 years
Risk-free interest rate	3.523%	4.012%	3.901%
Expected dividend yield	6.72%	6%	5%

Notes:

(i) The volatility measured at the standard deviation of expected share price returns is based on a statistical analysis of daily average share prices over 250 trading days prior to the Valuation Dates of the Company.

(ii) The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the shares in the Company set out above.

(iii) As the Black-Scholes model requires the input of highly subjective assumptions based on the directors' best estimate, including the volatility of share price, changes in subjective input assumptions can materially affect the fair value estimate.

During the current period, the Group recognised an expense of RMB4,705,000 (six months ended 30 June 2006: RMB1,267,000) in relation to share options granted by the Company.

7. DIVIDENDS

At the annual general meeting of the Company held on 5 June 2007, a final dividend of HK$0.045 (equivalent to approximately RMB0.044) per share in respect of the year ended 31 December 2006, amounting to RMB22,726,000 was approved.

At the annual general meeting of the Company held on 6 June 2006, a final dividend of HK$0.024 (equivalent to approximately RMB0.025) per share in respect of the year ended 31 December 2005, amounting to RMB10,553,000, was approved.

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007. No interim dividend was declared by the directors for the six months ended 30 June 2006.

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Earnings:		
Profit for the period for the purposes of basic earnings per share	**34,396**	42,728

	Six months ended 30 June	
	2007	2006
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	**506,878,915**	422,800,000
Effect of dilutive potential ordinary shares: Share options	**12,828,165**	28,088
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**519,707,080**	422,828,088

For the six months ended 30 June 2007, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding warrants since their exercise would result in an increase in earnings per share for the six months ended 30 June 2007.

For the six months ended 30 June 2006, the computation of diluted earnings per share does not assume the exercise of the Company's outstanding convertible notes and warrants since their exercise would result in an increase in earnings per share for the six months ended 30 June 2006.

9. ADDITIONS TO PROPERTY, PLANT AND EQUIPMENT

During the period, the Group acquired property, plant and equipment of RMB25,273,000 (six months ended 30 June 2006: RMB38,965,000).

10. TRADE RECEIVABLES

The Group allows an average credit period of two to three months to its trade customers. The following is an aged analysis of trade receivables at the balance sheet date:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Within 3 months	**179,944**	123,644
Over 3 months but not more than 6 months	**4,822**	1,867
	184,766	125,511

11. TRADE PAYABLES

The following is an aged analysis of trade payables at the balance sheet date:

	30 June 2007 RMB'000	31 December 2006 RMB'000
Within 3 months	**34,182**	14,216
Over 3 months but not more than 6 months	**64**	33
Over 6 months but not more than 1 year	**59**	61
	34,305	14,310

12. BANK LOANS

During the current period, the Group did not obtain any new bank loans (six months ended 30 June 2006: RMB10,300,000) and repaid bank loans amounting to RMB10,125,000 (six months ended 30 June 2006: RMB3,090,000).

Included in bank loans are loans denominated in Hong Kong dollars and United States dollars which carry interest at floating rates from 2% to 2.75% over HIBOR (2006: 2% to 2.75% over HIBOR) per annum and 1.75% over LIBOR (2006: 1.75% over LIBOR) per annum respectively. Other bank loans are denominated in RMB and arranged at fixed interest rate of 5.850% (2006: 5.850%). As at 30 June 2007, all loans are repayable in instalments within one year.

13. DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2007 RMB'000	31 December 2006 RMB'000
Warrants	**20,551**	7,310
Swap derivatives	**93,469**	—
	114,020	7,310

Warrants

As announced by the Company on 9 May 2006, the Company entered into a warrant instrument dated 4 May 2006 (the "Instrument") with an independent subscriber (the "Subscriber"). Pursuant to the Instrument, the Company agreed to issue and the Subscriber agreed to subscribe for the warrants conferring rights to subscribe up to 38,000,000 new ordinary shares of HK$0.10 each in the Company, subject to adjustments, at an initial subscription price of HK$0.88 per share, subject to adjustments, at any time from 21 May 2006 to 18 May 2009, both dates inclusive (the "Warrants").

The initial subscription price per share is HK$0.88 (equivalent to approximately RMB0.857) as at the date of issue of the Warrants until 18 May 2007, and thereafter will be HK$0.88 as adjusted downward by the Company on the first anniversary of the date of issue of the Warrants. The adjusted subscription price will be such price in Hong Kong dollars as equals the market price of shares determined on the first anniversary of the date of issue of the Warrants, but in no case will be less than HK$0.71 (equivalent to approximately RMB0.692).

At 30 June 2007, no Warrants have been exercised since the date of issue and carried at fair value. Exercise in full of such Warrants would result in the issuance of 38,000,000 additional ordinary shares of HK$0.10 each in the Company. During the period, a loss on change in fair value of RMB13,241,000 (six months ended 30 June 2006: a loss on change in fair value RMB2,807,000) was recognised in the income statement.

Swaps derivatives

During the current period, the Group entered into five-year swaps as a part of its financial management strategy. On the effective date of the respective swap, the Group received an upfront payment from the bank, total amounting to HK$78,000,000. Major terms of the swaps derivatives are set out below:

Notional amount	Maturity	Swaps
HK$390,000,000	28 February 2012	Group pay 9% p.a. and receive (first 6 months: 7.00% p.a., thereafter: 7.00% p.a. x n/m*)
US$50,000,000	23 April 2012	Group pay (first 6 months: 10% p.a., thereafter: 10.00% p.a. - 5 x (Index of YoY return - 1.00%#) Capped at 13% p.a. and floored at 0% p.a.) and receive 8% p.a.

* Where

n: number of business days in the calculation period that HK$ 10-year CMS - HK$ 2-year CMS ≥ 0%

m: total number of business days in the calculation period

"HK$ 10-year CMS" means 10-year HK$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX5 page 11:00 a.m. Hong Kong time fixing on each day in the calculation period.

"HK$ 2-year CMS" means 2-year HK$-ISDA-Swap Rate, as such rate appears on the Reuters Screen ISDAFIX5 page 11:00 a.m. Hong Kong time fixing on each day in the calculation period.

#	Where
Index:	Deutsche Bank Pan-Asian Forward Rate Bias Index (AFRB Index) as published on Bloomberg Page BDFRAS13.
Index of YoY Return:	Closing level of the Index five Business Days prior the Coupon Payment Date which is two Coupon Payment Periods prior to the relevant Coupon Payment Date-1.

During the current period, a loss on change in fair value of RMB15,469,000 was recognised in the income statement.

Conversion option derivative

During the six months ended 30 June 2006, a loss on change in fair value of RMB7,993,000 arising on a conversion option derivative embedded in convertible notes was recognised in the income statement. The convertible notes were fully converted into the ordinary shares of the Company as at 31 December 2006.

14. SHARE CAPITAL

	Number of shares	Amount
		HK$'000
Ordinary shares of HK$0.10 each		
Authorised:		
At 1 January 2007 and 30 June 2007	2,000,000,000	200,000
Issued and fully paid:		
At 1 January 2007	496,761,081	49,676
Exercise of share options	26,730,000	2,673
Issue of new shares for cash (note)	60,000,000	6,000
At 30 June 2007	583,491,081	58,349

	RMB'000
Shown in the condensed financial statements	
At 30 June 2007	60,739
At 31 December 2006	52,287

Note: As announced by the Company on 14 June 2007, the Company entered into a placing and subscription agreement dated 12 June 2007 (the "Agreement") with Fu Teng Global Limited ("Fu Teng"), a substantial shareholder of the Company in which a director of the Company has entire interest, and an independent placing agent (the "Placing Agent"). Pursuant to the Agreement, Fu Teng agreed to place a total of 60,000,000 existing shares of HK$0.10 each in the share capital of the Company at a price of HK$1.498 per share (the "Placing Price") to five independent institutional investors, through the Placing Agent, and Fu Teng also agreed to subscribe for 60,000,000 new shares of HK$0.10 each of the Company at the price of HK$1.498 per share, which is equal to the Placing Price. The directors of the Company are authorised to issue these new shares pursuant to the general mandates granted by the shareholders of the Company on 5 June 2007.

The Placing Price represents a discount of approximately 9.76% to the closing price of the Company's shares as quoted on the Stock Exchange on 12 June 2007, being the date of the Agreement. The placing became unconditional on 19 October 2006. The new shares subscribed by Fu Teng, representing approximately 11.5% of the then existing issued share capital of the Company and approximately 10.3% of the enlarged share capital of the Company, were issued and allotted on 12 June 2007. Fu Teng's equity interest in the Company was reduced from approximately 42.5% immediately before the placing and the subscription to approximately 38.1% immediate thereafter.

All the shares which were issued by the Company during the current period rank pari passu with each other in all respects.

15. CAPITAL COMMITMENTS

	30 June 2007 RMB'000	31 December 2006 RMB'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements	**60,966**	3,760

16. RELATED PARTY DISCLOSURES

Related party balances

The amount due from a director represent payments made by the Group on behalf of the director. It is unsecured, interest free and repayable on demand.

Related party transactions

(i) Compensation of key management personnel

The remuneration of directors and other member of key management during the period was as follows:

	Six months ended 30 June	
	2007	2006
	RMB'000	RMB'000
Short-term benefits	**1,328**	1,138
Post-employment benefits	**29**	18
Share-based payments	**1,486**	574
	2,843	1,730

The remuneration of directors and key executives is determined by the remuneration committee and management respectively having regard to the performance of individuals and market trends.

(ii) Details of new shares issued to Fu Teng during the current period are set out in note 14. The entire issued capital of Fu Teng is owned by a director of the Company.

(iii) On 1 November 2005, the Group entered into a tenancy agreement with a director of the Company for the lease of an office unit for a term of three years commencing from 1 December 2005 to 30 November 2008. Rental paid by the Group under the tenancy agreement during the period amounted to RMB22,500 (six months ended 30 June 2006: RMB22,500).

In addition, as at 30 June 2007, a bank loan of RMB9,740,000 of the Group is secured by a pledged bank deposit of RMB974,000 (at 31 December 2006: RMB1,000,000) given by a director of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the six months ended 30 June 2007, the unaudited turnover of the Group was approximately RMB307.4 million (2006: RMB254.5 million), representing a growth of 20.8% as compared to that of the last corresponding period.

The operating profit for the six months ended 30 June 2007 increased by approximately 18.5% to approximately RMB77.4 million (2006: RMB65.3 million) as compared to that of the last corresponding period. The net profit and net profit margin for the six months ended 30 June 2007 decreased by approximately 19.5% and approximately 5.6% to approximately RMB34.4 million and approximately 11.2% respectively as compared to that of the last corresponding period.

Without taking into account the effect of loss on change in fair values of derivative financial instruments amounted to RMB28.7 million, the net profit for the six months ended 30 June 2007 would increase by approximately 17.9% to approximately RMB63.1 million as compared to that of the last corresponding period.

BUSINESS REVIEW

In the first half of 2007, the Group continued to increase its investment in equipment and production facilities, raising the production capacity of easy-open cans and two-piece cans by 60% and 80% respectively, so as to meet the buoyant market demand and further strengthen its leading position in the metal packaging industry. The Group has also substantially enhanced its competitiveness, production skills and overall strength by implementing aggressive measures such as targeted marketing strategy on VIP customers and effective cost control. The Group's three principal business operations, namely two-piece cans, three-piece cans, lacquering and printing, contributed strongly to the overall growth of our revenues. A detailed analysis is as follows:

1. **Continued rising demand underpinned by the expanding food and beverage market in the PRC**

   The rapid increase of personal income in China has been driving the growth of the food and beverage industry, which has continued in the first quarter of 2007. According to the statistics of the National Bureau of Statistics of China, the annual production volume of the beverage industry maintained a growth rate of over 20% from January to June 2007 as compared to the corresponding period last year. The production volume of soft drinks reached 24.0 million tonnes, representing a 17.2% year-on-year increase and the beverage industry achieved sales revenue of RMB69.3 billion, a 24.0% year-on-year increase. Gross profit margin of the industry as a whole was at 30.7% and the total gross profit reported by the industry was RMB6.7 billion, increased by 38.5% as compared to the corresponding period last year.

In 2007, the canned food industry in the PRC has entered its ninth consecutive year of rapid growth and China has become the world's largest producer of canned fruits by volume and varieties. In 2005 and 2006, the total production volume of canned fruits was over 1.2 million tonne in each year, accounting for one-third of the total production volume of canned food industry in the PRC. The export volume was over 500,000 tonne which translated into RMB350 million of export revenues. In January and February 2007, exports of canned mushroom from Fujian Province increased by 58.7% in volume to 58,300 tonne, and doubled to US$70.7 million in value. Overall, in January to April 2007, production of canned food in the PRC increased by 16.3% year-on-year to 1.35 million tonne in volume while total production value increased by 20.3% to RMB1.26 million.

It is estimated that by year 2010, the total packaging industry output in the PRC will reach RMB450 billion a year and continue to grow at 7% per annum. For the years from 2011 to 2015, the total metal packaging industry output is expected to post an annual growth rate of 16% and exceed RMB600 billion. In year 2015, the production capacity for metal packaging product is expected to reach 4.9 million tonne.

2. Revenues are driven by sales volume expansion across different business segments

a) Two-piece food cans

The Company, as a forerunner in the Chinese food and beverage packaging industry, has been well-positioned to take advantage of its solid experience gained from its early market entry and has been able to develop a market for its two-piece food cans with high technology and advanced elements. Coupled with the great efforts made by the Group in many aspects, in the first half of 2007, the sales of two-piece canned products grew by more than 72% as compared to the corresponding period in 2006, with an increase of five new customers and new orders of more than 10 million cans. Sales activities were extended to five provinces at present, namely Shandong, Tianjin, Jiangsu, Chongqing and Fujian, from originally one single region of Fujian Province.

At present, the Group is the largest two-piece cans supplier in the PRC, both in terms of production capacity and varieties (the types of can shape increased by double as compared to the corresponding period in 2006); and also makes use of the most sophisticated production equipment. In addition, the Group has successfully tackled the difficulties involved in the new technology of "ultra high temperature", helping its customers to bring their products to the new standards of greater safety, environmental friendly, etc. As a result, the Group has secured orders of more than 10 million cans, offering more opportunities for its business growth.

b) **Three-piece beverage cans**

In the first half of the year, sales of three-piece beverage cans grew by 14% as compared to the corresponding period in 2006. Newly placed orders increased by more than 16 million cans and we added about 10 new customers. The business growth was, on the one hand, attributable to the organic growth of sales volume under the favorable environment of substantial growth of high quality customer sources faced by the PRC industry generally. On the other hand, the implementation of an integrated service marketing model emphasizing "all staff participation, comprehensive services, thorough monitor and control" throughout the entire selling process, also helped some of the customers to achieve overseas market development, which in turn drove up sales.

c) **Three-piece food cans**

The adoption of the new environmental friendly printing ink coating technology in food cans may meet customers' demand for high quality such as environmental friendly and safety products contributed to over 28% customer order as compared to the corresponding period in 2006. The increase in orders were more than 12 million cans.

d) **Lacquering and printing**

Subsequent to the equipment renovation made to lacquering and printing production lines, we can now provide high stability of printing precision and accuracy of color control which enhanced the can production business of the Group. The business of external color printing processing also maintained steady growth.

3. **The fast-developing economy of Western China contributed strongly to the business growth**

In 2006, the economy of the entire western part of China reported a growth rate of over 12% which was higher than the average growth rate of 9.9% reported by the country as a whole. The GDP of the western part accounted for 18.5% of the national GDP. The fast-developing western characteristic economy provided a strong boost to the sales of Shanxi Zhanpen, which increased by approximately 11% over the corresponding period. On the one hand, such increase benefited from the organic growth of sales volume of the high quality customer sources, and the increase of five new customers which resulted in new orders of more than 6 million cans. On the other hand, the commencement of operations of a new production plant, the improvement of production equipment and the increase in ancillary facilities enhanced the Company's overall capabilities such as the scale of production and production efficiency. As a result, customers gained more confidence in our products which translated in higher sales.

4. Adoption of effective measures of cost control

The Group has actively taken a number of effective cost control measures: 1) reconfigure production equipment and facilities to enhance utilization rate and improve production yields; 2) stringent control of internal performance and streamlining of management, effective control of production costs and other outgoings expenditures; 3) encouraging the establishment of energy saving and cost reducing consciousness among staff, launching small group creative activities, which resulted in cost reduction of nearly RMB1 million; 4) centralized planning and purchasing of major raw materials, which obtained more favorable prices and resulted in cost reduction.

PROSPECTS

The beverage packaging industry of the PRC is now in a fast growing era. It is expected that demand for beverage products will grow at the rate of at least above 20% in the coming few years. As the Group has already captured a considerable market share within the packaging industry, it is expected to benefit from the significant growth of the industry. In the second half of the year, with the support of the rapid growth of the domestic beverage industry, the Group will take a series of strategic measures, such as the expansion of production capacity of new products, the increase in can shapes and the establishment of two new branch factories in order to explore more opportunities for future profit growth. The analysis of which is summarized as follows:

1. Expansion of production capacity to gain market share

a) Introduction of high speed state-of-the-art production equipment

The Group will invest US$15 million to expand production plants in Fuqing and Shanxi. It will also enter into an agreement with Switzerland Soudronic Limited for the acquisition of two high speed production lines for beverage cans which can produce up to 650 cans per minute, and each of the production lines will be installed in the production bases in Fuqing and Shanxi respectively. Soudronic is a world-class manufacturer of beverage cans equipped with the most sophisticated production lines. The newly acquired equipment is so far the highest speed, the best performance and the most stable production line for beverage cans in the PRC. The equipment is scheduled to be delivered by the end of this year and it is expected to commence operation in the first half of 2008. The Group is expected to grow remarkably when the new production lines commence operation.

b) **Expansion of existing scale of production**

The Group is currently dealing with the procedures for its proposed land acquisition in two of its production bases, Fuqing Xia Cao and Shanxi Fenyang. All the relevant approval procedures are expected to be completed during this year.

2. **Actively develop two-piece food cans with good market potential**

The Group acquired a set of production equipment and several new can shape moulds for two-piece food cans in March 2007. The equipment and the moulds were delivered to the factory in late June 2007 and will be in operation in the second half of this year. The Group believed that its market leader position in the production of two-piece cans will be further strengthened. The new can shape is jointly researched and designed by the Group's in-house technicians and the suppliers. The sophistication lies in the simplification from the original two processes of shear-wave and deep-drawing into one single process. This production line not only shortens the processing time by 20%, but also improves the process of iron rolling, greatly reduces corner residual materials produced during the process, thus saving about 5% of materials. The specification of product techniques index suits the requirements of foreign customers. The new can shape is the latest so far in the international canned food market and the production of new products will enable us to capitalize on opportunities. The market demand is estimated to be 500 million cans per year. The Group has reached preliminary purchase agreement with its long term customers, and up to the end of this year, the new orders to be placed are approximately 20 million cans. When the project is launched, the market share of the Group will increase steadily and hence increase its profitability. Also, the composition of the customer base will be enhanced, and there will be a promising growth of the Group's overall results.

3. **Investment in new can shape for the development of a new market**

The production facilities of the new can shape #113 for three-piece easy-open cans purchased by the Group from Taiwan Shin-I Machinery Works Co., Ltd. had been delivered to the plant. The unique neckdown design of the can shape reduces the neck size of the can mouth, so that the cost of the easy-open lids may be lower while the profit margin of the product may increase. Also, this can shape is mainly designed to satisfy the increasing demand of customers for natural, low sugar and healthy beverage, such as natural aloe juice. The fast-developing momentum of new kinds of beverage will facilitate the marketing of packaging products. When the new can shape is put into production in the second half of the year, the number of new orders is expected to increase considerably.

4. Business expansion in various regions brings continuous impetus to the future growth of the Group

a) Establishment of Chengdu Branch

The city of Chengdu is a trade and financial centre of Southwest China. It integrates the all-round strengths of the West and is easily-accessible. It is commercially well-developed and has moderate climate, well-established ancillary facilities, and its competitive advantages are unparalleled to any other western cities of China. Renowned brands of food and beverage such as Lebaishi, Jianlibao, Wanglaoji and Daliyuan have already set up their plants in Chengdu. Over a thousand of beverage manufacturing enterprises are operating in the local and peripheral areas of Chengdu. At present, manufactures of three-piece easy-open cans operating in Chengdu are small-sized and only a few achieve an annual production output of over a hundred million units.

To position for future growth of the Group and establish a foothold in the Southwest, the Group has reached an agreement with a metal color printing products company on the lease of plant and equipment and intends to set up a branch company in Chengdu. In the inception of the lease, the Group will first invest in two production lines of three-piece easy-open cans, which are expected to be in operation in the first half of 2008. Meanwhile, the Group has over 200 high quality customers and established strategic cooperation with them. Given the development strategy in the southwest, the Group may cooperate with them for mutual benefits and as a preliminary source of customers in the new region. The establishment of our new production base in Chengdu represents a quantum leap in our Group's expansion. This project will lead to a solid progress in the overall strategy of future development of the Group.

The Group intends to acquire a piece of land of 30 mu adjacent to the leased plant in Chengdu in the first half of 2008. The new operation is expected to enlarge the scale of the Chengdu production base by two times, bringing exciting growth for the Group.

b) **Establishment of Shenzhen Branch**

A branch company will be established in Shenzhen in late September 2007. The Group has signed a plant leasing agreement with a food products company in Shenzhen, and purchased one production line of three-piece easy-open cans and two production lines of easy-open can lids in September 2007. The production lines of easy-open cans are mainly to cater for the needs of the food products company as well as beverage manufacturers operating in the peripheral of Guangdong Province. The Shenzhen branch provides specialized can production services to its partner so as to achieve a win-win situation for both parties in the form of business enhancement. It is expected to increase sales revenue of the Group by approximately 30%. The two production lines of aluminum easy-open can lids can essentially meet the demand of the Group and are scheduled to be in operation by the end of this year. These production lines are ranked among the top list of the kind in the country, both in terms of performance and production capacity, which can reach 2,000 units per min. The equipment will change the long-established situation of the Group's heavy reliance on outsourcing when it is put into operation, and will have positive effects of optimizing and perfecting the production chain of the Group and enabling the principal business of the Group to advance to a new stage of development.

The above significant measures enable the Group to further enlarge and improve our customers coverage and form a nationwide business comprising a number of production bases in various strategic locations, which can bring considerable sales revenue and profit growth in future.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its operations by internally generated cashflows and banking facilities provided by its bankers.

As at 30 June 2007, the Group had cash and cash equivalents of approximately RMB523.5 million (31 December 2006: RMB393.3 million) and had total borrowings of approximately RMB86 million (31 December 2006: RMB97.4 million). Where, RMB36 million were fixed rate debts with interest rate at 5.85% per annum and the remaining RMB50 million of bank loan was subject to floating rate ranging from 2% to 2.75% over HIBOR (2006: 2% to 2.75% over HIBOR) per annum and 1.75% over LIBOR (2006: 1.75% over LIBOR) per annum. As at 30 June 2007, all loans are repayable in instalments within one year. All of the aforementioned bank loans were guaranteed by either corporate guarantees, pledged bank deposit from the Company or pledged bank deposit given by a director of the Company.

The Group's current ratio (current assets to current liabilities) was approximately 2.6 (31 December 2006: 3.2) and the Group's gearing ratio (total interest-bearing borrowings to total assets) was approximately 8.7% (31 December 2006: 12.9%).

Since the Group's transactions are mostly settled in Hong Kong dollars and Renminbi, the exposure to foreign exchange fluctuations is minimal, therefore no use of financial instruments for hedging purpose is considered necessary.

CAPITAL STRUCTURE

On 26 June 2007, the Company has completed the top-up placing of 60,000,000 new ordinary shares to raise the net proceeds approximately HK$ 87 million. The net proceeds as to approximately 50% for future acquisition opportunities to expand the Group's business and as to the balance as general working capital of the Group.

In addition, a total of 26,730,000 ordinary shares were issued upon exercise of share options by the option holders of the Company during the six months ended 30 June 2007.

As a result, the total number of issued share capital was 583,491,081 ordinary shares as at 30 June 2007.

PLEDGE OF ASSETS

As at 30 June 2007, bank deposit of approximately RMB17.8 million (31 December 2006: RMB21.7 million) was pledged to a bank for banking facilities granted to the Group to the extent of the amount of deposits placed with the banks.

SIGNIFICANT INVESTMENTS

During the six months ended 30 June 2007, the Group did not have any significant investment.

CONTINGENT LIABILITIES

As at 30 June 2007, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENTS

As at 30 June 2007, the Group had capital expenditure in respect of acquisition of property, plant and equipment contracted for but not provided in the financial statements amounting to approximately RMB61 million (31 December 2006: RMB3.8 million).

SEGMENT INFORMATION

Segment information of the Group is set out in note 3 to the condensed consolidated financial statements.

MATERIAL ACQUISITIONS/DISPOSALS

During the six months ended 30 June 2007, the Group made no material acquisition and disposal of subsidiaries and associated companies.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2007, the Group had 450 employees (31 December 2006: 445 employees) situated mainly in the PRC and Hong Kong. The Group's emoluments policies are formulated based on industry practices and performance of individual employees. The Group also operates a share option scheme for the purpose of providing incentives and rewards to the eligible participants for their contributions to the Group. During the six months ended 30 June 2007, the total staff costs (including Directors' emoluments) amounted to approximately RMB5.1 million (2006: RMB4.7 million).

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2007, the interests and short positions of the Directors and Chief Executive in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

Long positions in the shares and underlying shares of the Company

Name of director	Type of interests	Number of issued ordinary shares held	Number of underlying Shares held pursuant to share options	Total	Approximate percentage of the issued share capital of the Company
Mr. Yang Zongwang ("Mr. Yang")	Corporate	221,410,000 (note)	—	221,410,000	37.95%
Mr. Xue De Fa	Beneficial owner	—	2,000,000	2,000,000	0.34%
Mr. Xie Xi	Beneficial owner	—	2,000,000	2,000,000	0.34%

Note:

These shares are registered in the name of and beneficially owned by Fu Teng Global Limited ("Fu Teng"), a company incorporated in the British Virgin Islands, and its entire issued share capital is owned by Mr. Yang.

Other than as disclosed above, none of the Directors or chief executive or any of their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations at 30 June 2007.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the heading "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures" above and "Share option scheme" below, at no time during the period were given rights to acquire benefits by mean of the acquisition of shares in or debentures of the Company granted to any director or chief executive, or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries and fellow subsidiaries, a party to any arrangement to enable the directors, chief executives, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

Pursuant to the written resolutions passed by all of the shareholders of the Company on 2 June 2003, the Company adopted a share option scheme (the "Scheme"). The purpose of the Scheme is to enable the Group to grant options to selected participants as incentives or rewards for their contribution to the Group. Under the Scheme, the directors of the Company may, at their absolute discretion, invite any employee (whether full-time or part time, including any executive director), any non-executive director (including independent non-executive director), any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder, any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or its invested companies to take up options to subscribe for shares in the Company representing up to a maximum 10% of the shares in issue as at the date of commencement of listing of shares of the Company on the Stock Exchange and subject to renewal with shareholders' approval. The number of shares in respect of which options may be granted to any individual in aggregate within any 12-month period is not permitted to exceed 1% of the shares of the Company in issue, without prior approval from the Company's shareholders. Options granted to substantial shareholders or independent non-executive directors in any one year exceeding the higher of 0.1% of the Company's shares in issue and with a value in excess of HK$5,000,000 must be approved by the Company's shareholders.

Options granted must be taken up within 21 days of the date of grant, upon payment of HK$1 per each grant of options. Options may be exercised at any time from the date of acceptance of the share option to such date as determined by the board of directors but in any event not exceeding 10 years. The exercise price is determined by the directors of the Company and will be not less than the higher of the closing price of the Company's shares on the date of grant, the average closing prices of the shares for the five business days immediately preceding the date of grant and the nominal value of the Company's shares.

Details of the movements in the share options granted and exercised during the six months ended 30 June 2007 under the Scheme are as follows:

	Name or category of participant	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2007
a)	Directors of the Company, including ex-Director								
	Mr. Xue De Fa	25 May 2006	0.800 (Note 1)	25 May 2006 to 24 May 2016	2,000,000	—	—	—	2,000,000
	Xie Xi	25 May 2006	0.800 (Note 1)	25 May 2006 to 24 May 2016	2,000,000	—	—	—	2,000,000
	Ng Kin Sun	25 May 2006	0.800 (Note 1)	25 May 2006 to 24 May 2016	2,000,000	—	—	(2,000,000)	—
b)	Senior management	10 February 2004	0.810 (Note 2)	10 February 2004 to 9 February 2014	7,300,000	—	(1,800,000)	—	5,500,000
		2 January 2007	0.670 (Note 4)	2 January 2007 to 1 January 2017	—	5,500,000	(4,770,000)	—	730,000
		1 February 2007	0.750 (Note 5)	1 February 2007 to 31 January 2017	—	3,000,000	—	—	3,000,000
		2 May 2007	0.912 (Note 6)	2 May 2007 to 1 May 2017	—	1,500,000	—	—	1,500,000
c)	Employees	10 February 2004	0.810 (Note 2)	10 February 2004 to 9 February 2014	19,000,000	—	(3,800,000)	—	15,200,000
		25 May 2006	0.800 (Note 1)	25 May 2006 to 24 May 2016	2,280,000	—	—	—	2,280,000
		20 November 2006	0.708 (Note 3)	20 November 2006 to 19 November 2016	7,660,000	—	(7,660,000)	—	—

	Date of grant	Exercise price HK$	Exercisable period	Outstanding at 1 January 2007	Granted during the period	Exercised during the period	Lapsed during the period	Outstanding at 30 June 2007
c) Employees (continued)	2 January 2007	0.670 (Note 4)	2 January 2007 to 1 January 2017	—	9,400,000	(5,700,000)	—	3,700,000
	1 February 2007	0.750 (Note 5)	1 February 2007 to 31 January 2017	—	6,000,000	(3,000,000)	—	3,000,000
	2 May 2007	0.912 (Note 6)	2 May 2007 to 1 May 2017	—	9,000,000	—	—	9,000,000
				42,240,000	34,400,000	(26,730,000)	(2,000,000)	47,910,000

Notes:

1. Equivalent to approximately RMB0.779
2. Equivalent to approximately RMB0.789
3. Equivalent to approximately RMB0.690
4. Equivalent to approximately RMB0.653
5. Equivalent to approximately RMB0.731
6. Equivalent to approximately RMB0.888

SUBSTANTIAL SHAREHOLDERS

So far as the Directors and chief executives of the Company are aware, as at 30 June 2007, other than the interests and short positions of the Directors or chief executives of the Company disclosed above, persons or companies who had interests or short positions in the shares and underlying shares of the Company, which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO were as follows:

LONG POSITIONS IN SHARES OF THE COMPANY

Name of shareholder	Type of interests	Capacity	Number of issued ordinary shares held	percentage of the issued shares capital of the Company
Fu Teng	Corporate	Beneficial owner	221,310,000	37.93%
Ms. Yang Yunxian	Corporate	Interest of spouse	221,310,000 (note a)	37.93%
The SFP Asia Master Fund Ltd.	Corporate	Beneficial owner	44,892,000 (note b)	7.69%
The SFP Asia Fund Ltd.	Corporate	Interest of a controlled corporation	44,892,000 (note b)	7.69%
The SFP Value Realization Co. Ltd.	Corporate	Investment manager	44,892,000 (note b)	7.69%
Deutsche Bank Aktiengesellschaft	Corporate	Person having a security interest in shares	42,374,000	7.26%
Citigroup Inc.	Corporate	Person having a security interest in shares	32,448,000	5.56%
Mr. Cheah Cheng Hye	Corporate	Interest of a controlled corporation	30,923,081 (note c)	5.30%
Value Partners Limited	Corporate	Investment manager	30,923,081	5.30%

Notes:

a. Mr. Yang is the owner of the entire issued share capital of Fu Teng. Mr. Yang and his spouse, Ms. Yang Yunxian, are deemed to be interested in these 221,310,000 shares held by Fu Teng by virtue of the SFO.

b. The SFP Asia Fund Ltd. interested in 77.1% of The SFP Asia Master Fund Ltd., while the entire issued share capital of The SFP Asia Fund Ltd. is wholly-owned by The SFP Value Realization Co. Ltd. Accordingly, The SFP Asia Fund Ltd. and The SFP Value Realization Co. Ltd. are deemed to be interested in these 44,892,000 shares held by The SFP Asia Master Fund Ltd. by virtue of the SFO.

c. Mr. Cheah Cheng Hye is deemed to be interested in these 30,923,081 shares through his 35.65% interest in Value Partners Limited by virtue of the SFO.

On 4 May 2006, the Company entered into the warrant instrument with ABN AMRO Bank N.V., pursuant to which the Company agreed to issue and ABN AMRO Bank N.V. agreed to subscribe for the warrants conferring rights to subscribe up to 38,000,000 new ordinary shares of HK$0.10 each in the Company, subject to adjustments, at an initial subscription price of HK$0.88 per share, subject to adjustments, at any time from 21 May 2006 to 18 May 2009, both dates inclusive (the "Warrants").

The initial subscription price per share is HK$0.88 (equivalent to approximately RMB0.857) as at the date of issue of the Warrants until 18 May 2007, and thereafter will be adjusted downward by the Company on the first anniversary of the date of issue of the Warrants. The adjusted subscription price will be such price in Hong Kong dollars as equals the market price of shares determined on the first anniversary of the date of issue of the Warrants, but in no case will be less than HK$0.71 (equivalent to approximately RMB0.692).

At 30 June 2007, no Warrants were exercised since the date of issue and carried at fair value. Exercise in full of such Warrants would result in the issuance of 38,000,000 additional ordinary shares of HK$0.10 each in the Company.

Save as disclosed above, the Directors or chief executives of the Company are not aware of any other person who had an interest or short position in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or be directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances of general meetings of the Company or substantial shareholders as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO as at 30 June 2007.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2007, neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities.

MODEL CODE

The Company has adopted the model code set out in Appendix 10 of the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry to all Directors, the Company confirmed that all the Directors have complied with the required standard set out in the Model Code throughout the six months ended 30 June 2007.

CORPORATE GOVERNANCE PRACTICES

The Board considers that the Company has complied throughout the six months ended 30 June 2007 with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules, except that (i) there is no division of roles of chairman and chief executive officer that both offices are held by Mr. Yang Zongwang; and (ii) the independent non-executive Directors are not appointed for specific terms. The reasons for such deviation from the code provisions had been stated in the Company's 2006 Annual Report.

REMUNERATION COMMITTEE

The remuneration committee was established on 21 September 2005 with written terms of reference. The remuneration committee consists of three independent non-executive directors, namely Mr. Tong Hing Wah, Mr. Chong Hoi Fung and Mr. Ng Wai Man, is responsible for reviewing and evaluating the remuneration polices of directors and senior management and making recommendations to the Board from time to time.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive directors, namely Mr. Tong Hing Wah, Mr. Chong Hoi Fung and Mr. Ng Wai Man. The Audit Committee has reviewed with management the accounting principles and practices adopted by the Group, and discussed auditing, internal control and financial reporting matters including the review of the unaudited interim results for the six months ended 30 June 2007.

The written terms of reference of the audit committee was revised on 21 September 2005 to ensure compliance with the CG Code.

As at this date of report, the Board comprises of:

Executive Directors
Yang Zongwang
(Chairman and Chief Executive Officer)
Xue De Fa
Xie Xi
Liu Zhi Qiang

Independent Non-Executive Directors
Tong Hing Wah
Chong Hoi Fung
Ng Wai Man

By order of the Board
Yang Zongwang
Chairman

Hong Kong , 19 September 2007