

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to announce the audited results of Jilin Qifeng Chemical Fiber Co., Ltd. (the "Company") for the year ended 31 December 2006.

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 21 June 2006.

According to the National Bureau of Statistics of China, the gross output value of the PRC acrylic fibre industry in 2006 reached RMB8.83 billion, representing an increase of 37.6% as compared with last year. Total sales revenue was RMB9.47 billion, 39.6% more than last year. These figures proved that the acrylic fibre industry has been growing strong, and has made significant contributions to the PRC economy.

Cost control was major challenge for the Company in 2006. For the acrylic fibre industry downstream in the chemical industry, the continuous rise of the average purchase price of acrylonitrile, the principal raw material of acrylic fibre, translated into cost pressure during the year. The average purchase price of acrylonitrile increased approximately by 28.8% during the year. However, by enhancing internal management and effectively controlling production cost, product quality, after-sale services and developing new products, the Company managed to mitigate the adverse impacts of rising raw material costs, the adverse effect on textile exports from the appreciation of Renminbi and lower tax rebates for textile exports. For the year ended 31 December 2006, the Company recorded revenue of RMB2.29 billion and net profit of RMB99.1 million.

In respect of product optimisation, for the year ended 31 December 2006, the Company completed 23 technology renovations, leading to enhancement of production efficiency and better control on production costs. In addition, during the year, the Company developed and produced 11,246 tons of differential fibres, including low pill and lustrous staple and top, gel dyeing fibre and high shrinkage staple, representing approximately 7.9% of the Company's total output. In 2007, the Company will invest more resources into technological renovation and development of differential acrylic fibre markets, and increase the weight of differential fibres in its sales mix to boost profitability.

Regarding external collaboration and technical development, phase one of the 100,000 tons acrylic fibre project of Jilin Jimont Acrylic Fiber Co., Ltd. (the "New Joint Venture"), the new joint venture established with Montefibre S.p.A. ("Montefibre") was completed and trial operation had begun in November 2006. Its products have been launched to and have received initial recognition from the market. The Company's thermal power plant also started trial operation at the end of 2006.

Looking forward to 2007, barring other unforeseeable situations, with the hope that the price of international crude oil will remain stable during the year and supply of acrylonitrile in the PRC will increase after new acrylonitrile production lines commence operation in third quarter 2007, the price of acrylonitrile, the principal raw material of the Company, is expected to come down. This will benefit the Company's profit margin and cost effectiveness.

Moreover, with the New Joint Venture being put into operation, the Company is enjoying economy of scale advantages in areas such as procurement and sales, resulting in stronger bargaining power and a fortified leadership in the acrylic fibre market. The management believes, with boosted capabilities and dedication to new product development and cost control, the Company has bright prospects.

Wang Jinjun
Chairman

Jilin, the PRC
19 April 2007