

PINE AGRITECH LIMITED

Full Year Financial Statement and Dividend Announcement for the Period Ended 31 December 2006

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<u>Group</u>		
	Year	Year	%
	ended	ended	
	31.12.2006	31.12.2005	change
<u>(Audited)</u>	<u>(Audited)</u>	+ / (-)	
	RMB'000	RMB'000	
Revenue	1,577,715	797,035	97.9
Costs of sales	<u>(878,359)</u>	<u>(526,214)</u>	66.9
Gross profit	699,356	270,821	158.2
Other income	5,409	5,077	6.5
Selling and distribution expenses	(40,856)	(21,571)	89.4
Administrative expenses	(19,133)	(15,075)	26.9
Other operating expenses	<u>(2,781)</u>	<u>(1,171)</u>	137.5
Profit from operations	641,995	238,081	169.7
Finance costs	<u>(5,314)</u>	<u>(3,457)</u>	53.7
Profit before taxation	636,681	234,624	171.4
Taxation	<u>(98,633)</u>	<u>-</u>	N.M.
Profit for the year	<u><u>538,048</u></u>	<u><u>234,624</u></u>	129.3

N.M. : Not meaningful

The Group's profit before taxation is arrived at after charging:

	<u>Group</u>	
	Year ended 31.12.2006 <u>(Audited)</u> RMB'000	Year ended 31.12.2005 <u>(Audited)</u> RMB'000
Amortisation of land use rights	1,768	1,426
Depreciation	33,075	18,498
Research and development costs	2,646	1,168
Loss on disposal of property, plant and equipment	1,379	509

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	<u>Group</u>		<u>Company</u>	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>	<u>(Audited)</u>
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	726,098	482,241	-	-
Deposits	3,128	8,144	-	-
Land use rights	82,919	36,687	-	-
Investment in subsidiaries	-	-	225,988	225,988
	<u>812,145</u>	<u>527,072</u>	<u>225,988</u>	<u>225,988</u>
Current assets				
Inventories	201,831	163,496	-	-
Trade receivables	254,325	13,728	-	-
Amount due from a subsidiary	-	-	538,083	530,569
Prepayment, other receivables and deposits	15,536	15,220	776	812
Cash and bank balances	334,576	451,574	861	100
	<u>806,268</u>	<u>644,018</u>	<u>539,720</u>	<u>531,481</u>
TOTAL ASSETS	<u>1,618,413</u>	<u>1,171,090</u>	<u>765,708</u>	<u>757,469</u>
EQUITY AND LIABILITIES				
Total equity	<u>1,366,544</u>	<u>999,496</u>	<u>743,574</u>	<u>747,524</u>
Current liabilities				
Interest-bearing bank borrowing	-	100,000	-	-
Trade payables	10,179	10,468	-	-
Accrued liabilities and other payables	200,327	51,926	17,641	7,200
Amount due to a subsidiary	-	-	4,493	2,745
Provision for taxation	36,763	-	-	-
	<u>247,269</u>	<u>162,394</u>	<u>22,134</u>	<u>9,945</u>
Non-current liabilities				
Other payable	4,600	9,200	-	-
Total liabilities	<u>251,869</u>	<u>171,594</u>	<u>22,134</u>	<u>9,945</u>
TOTAL EQUITY AND LIABILITIES	<u>1,618,413</u>	<u>1,171,090</u>	<u>765,708</u>	<u>757,469</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.**Amount repayable in one year or less, or on demand**

As at 31.12.2006		As at 31.12.2005	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	4,600	100,000	4,600

Amount repayable after one year

As at 31.12.2006		As at 31.12.2005	
Secured	Unsecured	Secured	Unsecured
RMB'000	RMB'000	RMB'000	RMB'000
-	4,600	-	9,200

Details of any collateral

Not applicable

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	<u>Group</u>	
	Year ended 31.12.2006 <u>(Audited)</u> RMB'000	Year ended 31.12.2005 <u>(Audited)</u> RMB'000
Cash flows from operating activities		
Profit before taxation	636,681	234,624
Adjustments for:		
Interest income	(2,394)	(1,036)
Interest expense	5,314	3,457
Amortisation of land use rights	1,768	1,426
Depreciation	33,075	18,498
Loss on disposal of property, plant and equipment	1,379	509
Operating profit before working capital changes	675,823	257,478
(Increase)decrease in inventories	(38,335)	12,692
Increase in trade receivables	(240,597)	(7,129)
(Increase)/decrease in prepayment, other receivables and deposits	(316)	15,765
Decrease in trade payables	(289)	(172)
Increase/(decrease) in accrued liabilities, other payables and deposits received	143,801	(19,338)
Cash generated from operations	540,087	259,296
Interest paid	(5,314)	(3,457)
Income taxes paid	(61,870)	-
Net cash generated from operating activities	<u>472,903</u>	<u>255,839</u>
Cash flows from investing activities		
Purchases of property, plant and equipment	(270,167)	(238,084)
Deposits paid for acquisition of property, plant and equipment	(3,128)	(8,144)
Purchases of land use rights	(48,000)	-
Interest received	2,394	1,036
Net cash used in investing activities	<u>(318,901)</u>	<u>(245,192)</u>
Cash flows from financing activities		
Proceeds from issue of new ordinary shares, net of share issue expenses	-	403,175
New bank loan	-	100,000
Repayment of bank loans	(100,000)	(100,000)
Dividend paid	(171,000)	-
Net cash (used in)/generated from financing activities	<u>(271,000)</u>	<u>403,175</u>
Net (decrease)/increase in cash and cash equivalents	(116,998)	413,822
Cash and cash equivalents at beginning of year/ arising from the restructuring exercise	<u>451,574</u>	<u>37,752</u>
Cash and cash equivalents at end of year	<u>334,576</u>	<u>451,574</u>
Analysis of balances of cash and cash equivalents		
Cash and bank balances	<u>334,576</u>	<u>451,574</u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Issued share capital	Proposed dividends	Share premium	Statutory reserves	Merger reserve	Retained profits/ (Accumulated Losses)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Group							
Pursuant to Restructuring exercise	225,988	-	-	-	135,709	-	361,697
Issue of new ordinary shares:							
Initial public offering ("IPO")	75,420	-	358,245	-	-	-	433,665
Share issue expenses	-	-	(30,490)	-	-	-	(30,490)
Proposed final dividend 2005		117,000				(117,000)	-
Profit for the year	-	-	-	-	-	234,624	234,624
Transfer to statutory reserves	-	-	-	35,761	-	(35,761)	-
Balance at 31 December 2005	301,408	117,000	327,755	35,761	135,709	81,863	999,496
Balance at 1 January 2006	301,408	117,000	327,755	35,761	135,709	81,863	999,496
Dividend paid - 2005 Final	-	(117,000)	-	-	-	-	(117,000)
Interim dividend 2006	-	-	-	-	-	(54,000)	(54,000)
Proposed final dividend 2006	-	108,000	-	-	-	(108,000)	-
Profit for the year	-	-	-	-	-	538,048	538,048
Transfer to statutory reserves	-	-	-	55,452	-	(55,452)	-
Balance at 31 December 2006	301,408	108,000	327,755	91,213	135,709	402,459	1,366,544
Company							
Balance at 1 January 2005	-	-	-	-	-	(92)	(92)
Pursuant to Restructuring Exercise	225,988	-	-	-	-	-	225,988
Issue of new ordinary shares:							
IPO	75,420	-	358,245	-	-	-	433,665
Share issue expenses	-	-	(30,490)	-	-	-	(30,490)
Proposed final dividend 2005		117,000				(117,000)	-
Profit for the year	-	-	-	-	-	118,453	118,453
Balance at 31 December 2005	301,408	117,000	327,755	-	-	1,361	747,524
Balance at 1 January 2006	301,408	117,000	327,755	-	-	1,361	747,524
Dividend paid - 2005 Final	-	(117,000)	-	-	-	-	(117,000)
Interim dividend 2006	-	-	-	-	-	(54,000)	(54,000)
Proposed final dividend 2006	-	108,000	-	-	-	(108,000)	-
Profit for the year	-	-	-	-	-	167,050	167,050
Balance at 31 December 2006	301,408	108,000	327,755	-	-	6,411	743,574

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

	Number of shares	S\$
Ordinary shares of S\$0.1 each at 1 January 2006 (before the sub-division)	<u>600,000,000</u>	<u>60,000,000</u>
Ordinary shares of S\$0.02 each at 31 December 2006 (after the sub-division)	<u>3,000,000,000</u>	<u>60,000,000</u>

With effect from 26 October 2006, the Company's sub-divided each ordinary share of S\$0.1 each into five ordinary shares of S\$0.02 each.

There were no options granted and issue of shares pursuant to the Employee's share option scheme.

2. **Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The financial statements for the year ended 31 December 2006 which have been prepared in accordance with International Financial Reporting Standards have been audited by Grant Thornton in accordance with the International Standards on Auditing.

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

The financial statements for the year ended 31 December 2006 which have been prepared in accordance with International Financial Reporting Standards have been audited by Grant Thornton and no qualification or emphasis of matter were noted in their report. (Please refer to attached Report of the Auditors)

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has adopted the same accounting policies and methods of computations as stated in the audited financial statements for the year ended 31 December 2005, excepts for the adoption of the revised International Financial Reporting Standards (IFRSs) which become effective for financial year beginning on or after 1 January 2006. The adoption of these revised IFRSs did not give rise to significant changes to the financial statements.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

Earnings per ordinary share

	<u>Group</u>	
	Year ended 31.12.2006 <u>(Audited)</u>	Year ended 31.12.2005 <u>(Audited)</u> Restated
Basic	<u>RMB0.179</u>	<u>RMB0.086</u>
Diluted	<u>N/A</u>	<u>N/A</u>

Basic earnings per ordinary share for the year ended 31 December 2006 were calculated based on the Group's profit after taxation of approximately RMB538,048,000 (year ended 31 December 2005: approximately RMB234,624,000) divided by 3,000,000,000 ordinary shares (2005: the weighted average of 2,728,767,123 ordinary shares, restated) in issue during the year as adjusted for the share sub-divided on the basis of every one ordinary share of the Company of S\$0.1 each into five ordinary shares of HK\$0.02 each.

Diluted earnings per ordinary share for the year ended 31 December 2006 and 2005 have not been calculated as no diluting events existed during these periods.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
- (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

	<u>Group</u>		<u>Company</u>	
	As at <u>31.12.2006</u> (Audited)	As at <u>31.12.2005</u> (Audited)	As at <u>31.12.2006</u> (Audited)	As at <u>31.12.2005</u> (Audited)
Net asset value per ordinary share	<u>RMB0.456</u>	<u>RMB0.333</u>	<u>RMB0.248</u>	<u>RMB0.249</u>

Net asset value per ordinary share was calculated based on:

- the shareholder's equity of our Group/Company at 31 December 2006 and 31 December 2005; and
 - the issued ordinary shares at 31 December 2006 and 31 December 2005 of 3,000,000,000 ordinary shares.
8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**
- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**

Review of Group's Performance for FY2006 as compared to FY2005

Revenue

Revenue rose by 97.9% from RMB797.0 million in FY2005 to RMB1,577.7 million FY2006. The growth derived mainly from higher sales of soy protein isolates ("SPI") and soy oligosaccharide syrup ("SOS").

Sales of SPI increased by 47.4% or RMB226.6 million from RMB477.5 million in FY2005 to RMB704.1 million in FY2006. Higher sales was contributed by higher output from the new SPI production lines installed in September 2005 and June 2006. The total annual production capacity was lifted from 50,000 tonnes to 90,000 tonnes per annum. SPI accounted for 44.6% of the total revenue in FY2006 .

Sales of SOS surged from RMB152.8 million in FY2005 to RMB682.7 million in FY2006. Since it was launched in 2003, demand for SOS has been growing steadily due to rising disposable income as well as increasing awareness and consumption of health promoting products in China. In 1Q 2006, we secured minimum order commitment from 300 distributors to market this product. Also, from July 2006, we started to deliver own brand SOS to a master distributor for PRC market, with which we entered contract for secured orders worth RMB429 million for FY2006.

Group Gross Profit and Margin

Gross profit rose by 158.2% from RMB270.8 million in FY2005 to RMB699.4 million in FY2006.

Overall gross profit margin further increased from 34.0% in FY2005 to 44.3% in FY2006 as we derived greater economies of scale from the higher output of our products and a further shift in product mix to higher-valued SOS. In March and December 2005, the installations of new production lines for defatted soy flakes at our Linyi Plant added a total production capacity of 120,000 tonnes of soy flakes per annum, effectively increasing our capacity to 165,000 tonnes per annum. The added capacity gave us the latitude to reduce the percentage of externally sourced defatted soy flakes and therefore lowered the cost of production.

SOS, which is a higher-margined product, accounted for 43.3% of total sales in FY2006, compared with 19.2% in FY2005.

Operating Expenses

Operating expenses increased by 66.0% in FY2006 to RMB62.8 million. As a percentage of revenue, operating expenses was still within a satisfactory level at about 4.0% in FY2006.

Selling and distribution expenses increased by 89.4% or RMB19.3 million from RMB21.6 million in FY2005 to RMB40.9 million in FY2006. We incurred more advertising and promotion expenses to build brand equity and market awareness of our SOS.

Administrative expenses rose by 26.9% or RMB4.1 million from RMB15.1 million in FY2005 to RMB19.1 million in FY2006. The increase was mainly attributed to the higher costs incurred to support our increase in revenue and business expansion.

Taxation

The tax charge represents applicable PRC corporate income tax provided for the year.

From FY2004, our subsidiary, Linyi Shansong Biological Products Co. Limited, began to enjoy tax holiday for the first two profitable years, and thereafter, to pay tax at only half the corporate income tax rate for the following three years from FY2006 to FY2008.

Net Profit for the Year and Margin

The significant increase in revenue helped us to achieve a significant increase in net profit for the year. Net profit totalled RMB538.0 million for the year, compared with RMB234.6 million in FY2005.

Net profit margin gained a 4.7 percentage points from 29.4% in FY2005 to 34.1% in FY2006.

Review of Group's Financial Position as at 31 December 2006 and 31 December 2005

Net tangible assets as at 31 December 2006 amounted to RMB1,366.5 million (31 December 2005: RMB999.5 million), representing an increase of 36.7%.

We incurred capital expenditure of RMB318.2 million in total during the year. In June 2006, the installations of new production lines for SPI and SOS were completed. Production capacity for SOS, has risen by 160% to 10,400 tons from 4,000 tons per annum. Production capacity for SPI has also been expanded by 29% to 90,000 tons from 70,000 tons per annum. In addition, in second half of FY2006, the construction of the new fully-integrated plant

commenced. This new plant is expected to operate in the first half of FY2007 with capacity to manufacture soybean peptide, defatted soy flakes and SPI.

Trade receivables rose from RMB13.7 million as at the end of December 2005 to RMB254.3 million as at the end of December 2006. From July 2006, secured orders were started to be delivered to the master distributor of own brand SOS. We offered them a credit terms for 60 days. We also received a cash deposit amounting to RMB80 million from the master distributor of own brand SOS.

The significant increase in accrued liabilities and other payables was attributed to the placement of a cash deposit amounting to RMB80 million by the master distributor of own brand SOS during the year.

The bank borrowing of RMB100 million taken in second half of FY2005 was fully repaid during 4Q 2006.

(b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Not applicable.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

No forecast or prospect statement had been previously disclosed to shareholders.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The Group expects order momentum for its main growth driver, SOS to remain strong in FY2007. SOS is a form of prebiotics which promotes growth and activity of good bacteria in the body. Being one of the largest SOS suppliers in the PRC, the Group is expected to benefit from the recent announcement by the Center for Public Nutrition and Development of China ("PNDC") to launch a national campaign to raise awareness and consumption of prebiotics in the country. PNDC also plans to encourage Food and Beverage ("F&B") companies to introduce more products with prebiotics. The campaign commenced in January 2007.

For FY2007, the Group has secured minimum order commitment of approximately RMB700 million for SOS from the master distributor, 勝己乳業有限公司 ("Shenji"). Since signing the master distributorship agreement, Shenji has accelerated its expansion programs for marketing and distribution networks across the PRC through setting up health stores, named "Tian Song Health Banks" and appointing sub-distributors. From July 2006 until January 2007, Shenji has set up more than 300 new health stores and appointed 350 sub-distributors across 36 cities in the PRC.

The timing of the PNDC campaign is good as Shenji will continue to expand its health stores and sub-distributors across more cities in the PRC in 2007. As consumer awareness and consumption of prebiotics grow, the Group's products can be easily found in major cities across the country.

The Group's new soybean peptide plant with capacity of 10,000 tons per annum is expected to be ready in June FY2007. When completed, it will be one of the largest soybean peptide plants in the PRC. The Group has recently improved its soybean peptide concentration level from 80% to 99%.

Soybean peptide has broad industrial application. Products such as beer, liquid milk, snacks and softdrinks containing peptide have been successfully developed and marketed in Japan and USA. In the PRC, the Group is one of the earliest to have successfully developed 99% concentration soybean peptide that may provide value add to products in the F&B market.

Barring unforeseen circumstances, the management is optimistic of the Group's performance in FY2007.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on? Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	RMB0.036 per ordinary share
Par Value of Shares	S\$0.02
Tax Rate	Not applicable

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend	Final
Dividend Type	Cash
Dividend Rate	RMB0.195 per ordinary share
Par Value of Shares	S\$0.1
Tax Rate	Not applicable

(c) Date payable

To be announced at a later date.

(d) Books closure date

To be announced at a later date.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13. Interested person transactions

Interested person transactions carried out during the three months period ended 31 December 2006:

Name of Interested person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' Mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
PFH Group (Note 1)	RMB15,640,000 (Note 2)	RMB97,067,000 (Note 3)

Notes:

1. PFH Group means People's Food Holdings Limited and its subsidiaries. People's Food Holdings Limited is one of our Substantial Shareholders, which indirectly holds approximately 49% and 36.75% interests of our Company prior to and after the Company's Initial Public Offer.
2. The amount represents the charges paid to PFH Group for the supply of electricity. The charges were made were reference to the market price.
3. The amount represents the sales of soy protein isolates to PFH Group.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

14. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.**

The following tables segment our revenue and gross profit by products.

	<u>Group</u> Year ended 31.12.2006	%	<u>Group</u> Year ended 31.12.2005	%
	<u>RMB'000</u>		<u>RMB'000</u>	
<u>Revenue</u>				
Soy protein isolates	704,052	44.6	477,486	59.9
Soybean oil	130,516	8.3	82,859	10.4
Soy oligosaccharide syrup	682,681	43.3	152,830	19.2
By-products	<u>60,466</u>	3.8	<u>83,860</u>	10.5
	<u><u>1,577,715</u></u>	100.0	<u><u>797,035</u></u>	100.0
<u>Gross Profit</u>				
Soy protein isolates	236,799	33.8	163,656	60.4
Soybean oil	6,721	1.0	4,800	1.8
Soy oligosaccharide syrup	445,938	63.8	87,688	32.4
By-products	<u>9,898</u>	1.4	<u>14,677</u>	5.4
	<u><u>699,356</u></u>	100.0	<u><u>270,821</u></u>	100.0

15. **In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.**

Not applicable.

16. A breakdown of sales.

	<u>Group</u>		
	Year ended 31.12.2006	Year ended 31.12.2005	% change
	<u>RMB'000</u>	<u>RMB'000</u>	<u>+ / (-)</u>
Revenue reported for the first half year	589,945	369,284	59.8
Profit after taxation for the first half year	179,867	107,869	66.7
Revenue reported for the second half year	987,770	427,751	130.9
Profit after taxation for the second half year	358,181	126,755	182.6

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	Latest Full Year (RMB'000)	Previous Full Year (RMB'000)
Ordinary	162,000	117,000
Preference	-	-

BY ORDER OF THE BOARD

Li Zhu Ping
Executive Director
28 February 2007

Independent Auditors' Report

**To the members of Pine Agritech Limited
(incorporated in Bermuda with limited liability)**

We have audited the consolidated financial statements of Pine Agritech Limited (the "Company") and its subsidiaries (the "Group"), which comprise the Company and consolidated balance sheets as at 31 December 2006, and the consolidated income statement, the Company and consolidated statements of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. Their opinion on these financial statements is set out on the Statement by Directors.

The directors' responsibility for the financial statements includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

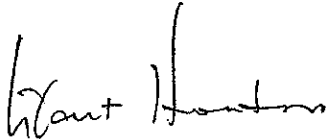
We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2006 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards.

A handwritten signature in black ink, appearing to read "Grant Thornton", is positioned above the printed name and address.

Grant Thornton
Certified Public Accountants
13th Floor, Gloucester Tower,
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15 Queen's Road Central,
Hong Kong

28 February 2007