



深圳市明華澳漢科技股份有限公司
Shenzhen Mingwah Aohan High Technology Corporation Ltd.*
(a joint stock limited company incorporated in the People's Republic of China)
Stock Code: 8301

Interim Report
For The Six Months
Ended 30 June 2007



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This report, for which the board of directors (the “Directors”) of Shenzhen Mingwah Aohan High Technology Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: 1. the information contained in this report is accurate and complete in all material respects and not misleading; 2. there are no other matters the omission of which would make any statement in this report misleading; and 3. all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* for identification purpose only



HIGHLIGHTS

- For the six months ended 30 June 2007, unaudited turnover decreased to approximately RMB44 million, which represents an approximate 16.6% decrease as compared to that of the same period last year. The Group sustained a loss of approximately RMB0.5 million for the six months ended 30 June 2007.
- Loss per share of the Group was approximately RMB0.15 cents for the six months ended 30 June 2007.



To all shareholders,

the Directors are pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and six months ended 30 June 2007 together with comparative figures for the corresponding periods ended 30 June 2006, as follows:

THE FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Income Statement

For the three months and six months ended 30 June 2007 and 30 June 2006

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2007	2006	2007	2006
		RMB'000 (Unaudited)	RMB'000 <i>(Unaudited)</i>	RMB'000 (Unaudited)	RMB'000 <i>(Unaudited)</i>
Turnover	3	24,278	27,543	43,982	52,767
Cost of sales		(18,238)	(21,913)	(32,094)	(40,553)
Gross profit		6,040	5,630	11,888	12,214
Other operating income		798	202	980	214
Distribution costs		(1,618)	(1,334)	(3,131)	(2,732)
Administrative expenses		(3,593)	(3,180)	(7,400)	(6,726)
Other operating expenses		(92)	(48)	(100)	(49)
Profit from operations	5	1,535	1,270	2,237	2,921
Finance costs		(1,344)	(551)	(2,707)	(1,828)
(Loss)/Profit before taxation		191	719	(470)	1,093
Income tax expense	6	(16)	63	(26)	(34)
(Loss)/Profit for the period		175	782	(496)	1,059
Attributable to:					
Equity holders of the parent		22	543	(768)	1095
Minority interest		153	239	272	(36)
		175	782	(496)	1059
Dividend	7	—	—	—	—
(Loss)/Earnings per share					
— Basic	8	0.004 cents	0.10 cents	(0.15 cents)	0.21 cents



Unaudited Condensed Consolidated Balance Sheet

At 30 June 2007 and 31 December 2006

	As at 30 June 2007 RMB'000 (Unaudited)	As at 31 December 2006 RMB'000 (Audited)
Non-current assets		
Property, plant and equipment	21,343	22,643
Prepaid lease payments	2,512	2,553
Other financial assets	1,225	1,225
Long-term receivables	2,800	2,800
	<hr/> 27,880	<hr/> 29,221
Current assets		
Inventories	23,267	18,491
Trade receivables, deposits and prepayments	99,039	104,830
Prepaid leases payments	82	82
Amount due from a shareholder	500	500
Amounts due from directors	982	969
Pledged bank deposits	3,710	3,696
Bank balances and cash	13,627	24,381
	<hr/> 141,207	<hr/> 152,949



		As at 30 June 2007 RMB'000 (Unaudited)	As at 31 December 2006 RMB'000 (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	10	(35,326)	(39,980)
Tax liabilities		(8,454)	(7,247)
Borrowings	11	(22,770)	(31,910)
Obligations under finance leases		(32)	(32)
		(66,582)	(79,169)
Net current assets		74,625	73,780
Total assets less current liabilities		102,505	103,001
Non-current liabilities			
Borrowings	11	(26,500)	(26,500)
Government grants received		(750)	(750)
		(27,250)	(27,250)
		75,255	75,751
Capital and reserves			
Paid-in capital	12	52,000	52,000
Reserves		18,979	19,747
Equity attributable to equity holders of the parent		70,979	71,747
Minority interests		4,276	4,004
Total equity		75,255	75,751



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2007 and 30 June 2006

	Paid-in capital	Share premium	Statutory surplus reserve	Statutory (Accumulated public losses)/		Total	Minority interest	Total
				welfare fund	retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)	(unaudited)
At 1 January 2006	52,000	17,574	5,908	2,955	6,531	84,968	4,467	89,435
Net profit/(loss) for the period	—	—	—	—	1,095	1,095	(36)	1,059
At 30 June 2006	52,000	17,574	5,908	2,955	7,626	86,063	4,431	90,494
Net loss for the period	—	—	—	—	(14,316)	(14,316)	(627)	(14,943)
Capital contribution from a minority shareholder of a subsidiary	—	—	—	—	—	—	200	200
At 31 December 2006	52,000	17,574	5,908	2,955	(6,690)	71,747	4,004	75,751
Net (loss)/profit for the period	—	—	—	—	(768)	(768)	272	(496)
At 30 June 2007	52,000	17,574	5,908	2,955	(7,458)	70,979	4,276	75,255



Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007 and 30 June 2006

	Six months ended	
	30 June	
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(1,660)	(21,326)
Net cash from/(used in) investing activities	46	(114)
Net cash (used in)/from financing activities	(9,140)	4,581
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(10,754)	(16,859)
Cash and cash equivalents at beginning of the period	24,381	52,177
	<hr/>	<hr/>
Cash and cash equivalents at end of the period		
— represented by bank balances and cash	13,627	35,318
	<hr/> <hr/>	<hr/> <hr/>



Notes to the Condensed Financial Statement

For the period ended 30 June 2007

1. GENERAL

The Company is a public limited liability company incorporated in the People's Republic of China (the "PRC") and its H shares are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in design, development and manufacture of IC cards, magnetic cards, related equipment and the application systems in the PRC.

2. BASIS OF PREPARATION

The accompanying unaudited condensed consolidated results of the Group are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Chapter 18 of the GEM Listing Rules. They have been prepared under historical cost convention. The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2006.

The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold to outside customers, and are summarised as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Sales of card products	22,055	24,802	39,787	48,294
Sales of non-card products	2,223	2,741	4,195	4,473
	<u>24,278</u>	<u>27,543</u>	<u>43,982</u>	<u>52,767</u>



4. SEGMENTAL INFORMATION

Business segments

For management purpose, the Group's products are divided into two kinds, namely card products and non-card products. Card products include IC cards, non-IC cards, IC chips and others. Non-card products include card peripheral equipment. These products are the basis on which the Group reports its business segmental information.

The Group's primary format for reporting segmental information is by business segments.

Segmental information about the business is presented below:

For the six months ended 30 June 2007

	Card products	Non-card products	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue			
External sales	39,787	4,195	43,982
Results			
Segment results	1,516	(159)	1,357
Unallocated bank interest income			143
Unallocated other operating income			837
Unallocated corporate expenses			(100)
Profit from operations			2,237
Finance costs			(2,707)
Loss before taxation			(470)
Income tax expense			(26)
Loss before minority interests			(496)
Minority interests			(272)
Net loss for the period			(768)



For the six months ended 30 June 2006

	Card products	Non-card products	Consolidated
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue			
External sales	48,294	4,473	52,767
	<u> </u>	<u> </u>	<u> </u>
Results			
Segment results	2,720	36	2,756
	<u> </u>	<u> </u>	
Unallocated bank interest income			11
Unallocated other operating income			203
Unallocated corporate expenses			(49)
			<u> </u>
Profit from operations			2,921
Finance costs			(1,828)
			<u> </u>
Profit before taxation			1,093
Income tax expense			(34)
			<u> </u>
Profit before minority interests			1,059
Minority interests			36
			<u> </u>
Net profit for the period			<u> </u> <u> </u>



5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
Depreciation of property, plant and equipment				
— owned assets	681	674	1,360	1,315
— assets under finance leases	12	28	23	55
Amortisation of prepaid lease payments	21	21	41	41
Total depreciation and amortization	<u>714</u>	<u>723</u>	<u>1,424</u>	<u>1,411</u>

6. INCOME TAX EXPENSE

The charge/(credit) represents enterprise income tax in the PRC.

	For the three months ended 30 June		For the six months ended 30 June	
	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2006 RMB'000 (Unaudited)
PRC enterprise income tax				
Current period	2	(59)	6	242
Under/(Over)-provision in prior years	14	(4)	20	(208)
	<u>16</u>	<u>(63)</u>	<u>26</u>	<u>34</u>

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 15% to 33% on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at 30 June 2006 and 30 June 2007.



7. DIVIDEND

No dividend was paid during the period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2007 (2006: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for the six months ended 30 June 2007 is based on the unaudited net loss for the relevant period of approximately RMB0.8 million (2006: profit of approximately RMB1.1 million) and the weighted average number of 520,000,000 shares (2006: 520,000,000 shares).

Diluted (loss)/earnings per share is not presented as there were no potential ordinary shares outstanding during the relevant periods.

9. TRADE RECEIVABLES, DEPOSITS AND PREPAYMENTS

The Group allows an average credit period ranging from 15 to 180 days to its customers. At the discretion of the Directors, certain customers with long-established relationship and good past repayment records may be granted with a longer credit period.

The following is an aging analysis of trade receivables at the reporting date:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
1-90 days	14,981	13,874
91-180 days	7,974	6,148
181-365 days	10,926	10,604
Over 365 days	44,269	45,146
	<hr/>	<hr/>
Trade receivables	78,150	75,772
Advance to suppliers	9,430	13,157
Other financial assets	1,575	700
Other receivables, deposits and prepayments	9,884	15,201
	<hr/>	<hr/>
	99,039	104,830
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade receivables, deposits and prepayments at 30 June 2007 approximates to the corresponding carrying amount.



10. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables at the reporting date:

	30 June	31 December
	2007	2006
	RMB'000	RMB'000
	(Unaudited)	(Audited)
1-90 days	11,356	12,463
91-180 days	1,056	1,301
181-365 days	1,834	2,657
Over 365 days	8,756	9,428
	<hr/>	<hr/>
Trade payables	23,002	25,849
Value-added tax payable	4,174	3,659
Deposits from customers	3,015	2,587
Other payables	5,135	7,885
	<hr/>	<hr/>
	35,326	39,980
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade payables and other payables at 30 June 2007 approximates to the corresponding carrying amount.

11. BORROWINGS

The loans bear interest at the rates ranging from 5.61% to 7.34% per annum.

12. PAID-IN CAPITAL

The paid-in capital represents the nominal value of the Company of RMB0.1 each as at 30 June 2007.



13. CAPITAL COMMITMENTS

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Capital injection in a jointly controlled entity contracted for but not provided in the financial statements	786	786

14. PLEDGE OF ASSETS

The following assets have been pledged to secure bank loans granted to the Group:

	30 June 2007 RMB'000 (Unaudited)	31 December 2006 RMB'000 (Audited)
Property, plant and equipment	10,608	10,608
Prepaid lease payment	2,594	2,635
Bank deposits	3,710	3,696
	16,912	16,939

15. RELATED PARTY TRANSACTIONS

There were no related party transactions incurred during the period under review.



MANAGEMENT DISCUSSION AND ANALYSIS

(I) Operating Results

For the period ended 30 June 2007, the turnover of the Group amounted to approximately RMB43,982,000, as compared to RMB52,767,000 for the corresponding period last year, representing a decrease of 16.6%. Such a decrease was mainly attributable to the keen competition in card products market. Due to the decrease in turnover and the increase in other costs such as distribution and administrative expenses and finance costs, the Group recorded a loss of approximately RMB768,000 during the period.

(II) Business Review

For the first half year of 2007, the Group's turnover was still affected by the severe price competition in card products. In light of the changes in the current market environment, the Group gradually shifted the sales focus to eKey, a more competitive and high value-added product with which the Group enjoys strong market competitiveness.

For the periods ended 30 June 2007 and 30 June 2006, the Group's cost of sales were approximately RMB32,094,000 and RMB40,553,000 respectively, representing a decrease of 21%. Such a decrease was mainly attributable to the decrease in purchases as a result of the decrease in turnover. Given the cost of sales and the turnover in the corresponding periods, the gross profit margin for the periods ended 30 June 2007 and 30 June 2006 were 27% and 23.1% respectively. The rise in gross profit margin was mainly attributable to the increase in sales of products with higher profit margin.

For the period under review, the Group's distribution costs of approximately RMB3,131,000 (2006: approximately RMB2,732,000) and administrative expenses of approximately RMB7,400,000 (2006: approximately RMB6,726,000) represent an increase of 14.6% and 10% respectively as compared to that in the corresponding period last year, which was mainly due to the increase in costs. Finance costs for the period was approximately RMB2,707,000, representing an increase of 48% as compared to approximately RMB1,828,000 for the corresponding period last year, which was mainly due to the increases in bank loans and interest rate.



The Group's operations for the first half of 2007 was in line with the Group's development objective of becoming the leading player in the PRC's card industry, promoting the brand name of "M&W" as a recognized brand in the PRC's card industry and placing great emphasis on the development of high-end products in the field of information security. The Group has made proactive response and adjustment to the development trend of different product lines and market segments.

1. Adjustment to its marketing focus

In view of the intense competition in the card business market, the Group has gradually reinforced its sales and R&D efforts on products with high profit and added value such as CPU cards and eKey. Along with the further implementation of 中國電子簽名法 (China's Law on Electronic Signature) in various areas and sectors, the Group's high ended encrypted product, eKey, has acquired a significant market share and competitive edge in the area.

In addition to consolidate the market share in the existing application area, the Group has also made efforts in expanding the market share in the area of egovernment, on-line banking, social insurance and password security for laying a strong foundation to expand the Group's high-ended products to the arena of information security and to generate a higher profit margin.

The Group has maintained a steady growth in the sales of IC cards and logical encrypted cards through established sales channels and the Group will extend its marketing efforts in licensing operation and continue to secure the business relationship with existing major clients with an aim to assure the stability of orders.

The Group strengthened the R&D of, and the technology cooperation in, WLAN products and participated actively in the government purchase projects on WLAN products for various information technology projects in relation to the Olympic Games to be held in China in 2008. WLAN products will become a new point-of-growth of the Group and a highlighted spot in its market expansion.



2. *Research and technical support*

The Group continued to devote in the research and development of high ended products such as eKey and smart card operation system and in upgrading the smart card operation system to meet the application requirements of the industry and in the development platform of new chips. The Group has adopted the “one-stop” strategy in technical support for ensuring the timely provision of complete solutions for major clients.

3. *External cooperation*

The Group continued its co-operation with renowned overseas and local chip manufacturers to grasp the technology development trend and to search for new point-of-growth. The Group is developing progressively in the radio frequency identification (“RFID”) market at the same time engaging in batching and mass production to a greater extent.

4. *Overseas market development*

The Company strengthened its development of overseas markets, secured manufacturing orders from overseas markets one after another and expanded its market share in overseas market step by step.

(III) Future Prospect

The Group aims at becoming the leading player in the PRC’s card products industry, promoting the brand name of “M&W” as a renowned brand in the PRC’s smart card industry and focusing on the development of high-end products in the field of information security. In order to grasp the huge market potential in the area of information security, the Group plans to secure a dominant position in such field by leveraging on its expertise and competitive advantages in smart card business.



1. *Technology development*

The Group will maintain its efforts in the research and development of its smart card operation system and perfect its Smart Card Operating System which satisfies with the standard of Europay Master Card and Visa and Code Division Multiple Access as well as fingerprint operation system and Java operation system.

The Group will continue to upgrade and perfect its eKey products and is planning to complete its research and development in broadband eKey and smart card chips.

The Group will continue to commercialize and serialize its RFID electronic products, enhancing the compatibility of label antenna.

The Group will continue the promotion and operation of overseas market in order to enhance the sales and marketing of the Group's products in overseas market. It will also create the synergy of external cooperation with a view to establishing "M&W" as an international brand name in the smart card industry.

2. *Marketing strategy*

Maintaining our present market share, the Group will continue to expand the application of eKey products in major commercial banking networks in the PRC and also explore its application into other information security products.

Marketing strategy of CPU Cards is to strengthen and promote the card's application in the PRC's social insurance, bank and other major fields of business.

The Group will strengthen its promotion as an international brand name through participation in exhibitions and advertisement. The Group will also improve the effectiveness of cooperation with international system integration producers to take up a larger quantity of orders.



3. *Management work*

The Group will continue to reinforce the budget control system over administrative expenses, and funds will only be applied to its designated use and feedback will be gauged. The Group will reinforce its control and management over the review of contract and receivables to control business risk in operating activities.

The Group will continue its effort to build an internal procedure framework for legal compliance to perfect its internal legal document and standardize the administrative management. With the establishment of both the internal and external security systems, the operating risks could be eradicated with the support of legal documents in place, while the Group's interests would be free from infringement. The Group's effort in strengthening the evaluation system and in enhancing the operation efficiency will help to generate higher return for shareholders.

4. *Conclusion*

For the second half year of 2007, the Company will enter peak season of sales. The Company will put more efforts in consolidating its market position and market development, maintain the technological advantage of its products and allocate the Company's resources properly to achieve better results in the second half year. The Board has every confidence in the Group's prospects.



LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

As at 30 June 2007, the Group had net current assets of approximately RMB74,625,000. Current assets as at 30 June 2007 comprise inventories of approximately RMB23,267,000, trade receivables, deposits and prepayments of approximately RMB99,039,000, prepaid lease payments of approximately RMB82,000, amount due from a shareholder of approximately RMB500,000, amounts due from directors of approximately RMB982,000, pledged bank deposits of approximately RMB3,710,000, and bank balances and cash of approximately RMB13,627,000. Current liabilities as at 30 June 2007 comprise trade and other payables of approximately RMB35,326,000, tax liabilities of approximately RMB8,454,000, short-term borrowings of approximately RMB22,770,000 and current portion of obligations under finance lease of approximately RMB32,000.

CAPITAL COMMITMENTS

As at 30 June 2007, the Group had outstanding capital commitments of approximately RMB786,000 (as at 31 December 2006: approximately RMB786,000).

FINANCIAL RESOURCES

As at 30 June 2007, the Group had bank balances and cash of approximately RMB13,627,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing cash and bank balances and the listing proceeds.



GEARING RATIO

The Group's gearing ratios were approximately 55.5% and 58.4% as at 30 June 2007 and 31 December 2006 respectively. The gearing ratios were calculated based on total liabilities over total assets as at the respective balance sheet dates.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals during the six months ended 30 June 2007.

SEGMENTAL INFORMATION

The Group's products are divided into two kinds, namely card products and non-card products. Card products include IC cards, non-IC cards, IC chips and others. Non-card products include card peripheral equipment.

EMPLOYEE INFORMATION

As at 30 June 2007, the Group had 387 full time employees, comprising 83 in administration and finance, 39 in research and development and customer services, 42 in sales, 210 in production, 5 in purchases, and 8 in quality control.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2007, the Company pledged property, plant and equipment with carrying amount of approximately RMB10.6 million, land use right of approximately RMB2.6 million and bank deposit of approximately RMB 3.7 million for banking facilities.



FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors do not have any future plans for material investment or capital assets other than those stated in the Prospectus.

FOREIGN EXCHANGE EXPOSURE

Since most of the income and expenditure of the Group were received and paid in RMB, the local currency of the place where the Group principally operates in, the Directors do not consider that the Group was significantly exposed to any foreign currency exchange risk.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2007 and it is the same for the six months ended 30 June 2006.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2007.

DIRECTORS' AND SUPERVISOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or supervisors (the "Supervisors") of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 June 2007.



DISCLOSURE OF INTERESTS

(a) Directors', Chief Executive's and Supervisors' interests in shares of the Company

As at 30 June 2007, the interests and long positions of the Directors, the Chief Executive and the Supervisors and their respective associates 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 (Cap. 571 of the Laws of Hong Kong) (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 under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors referred to in Rule 5.46 to 5.68 of the GEM Listing Rules were as follows:

Long positions in shares of the Company

Name of Director/ Chief Executive/ Supervisor	Capacity	Number and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Li Qi Ming	Beneficial owner	229,840,000 domestic shares	71.87%	44.20%
Mr. Zhu Qing Feng	Beneficial owner	50,700,000 domestic shares	15.85%	9.75%
Mr. Han Ruo Pin	Beneficial owner	3,380,000 domestic shares	1.06%	0.65%
Mr. Li Wen Jun	Beneficial owner	3,380,000 domestic shares	1.06%	0.65%
Mr. Li Guang Ming (Note)	Held by controlled corporation	11,830,000 domestic shares	3.70%	2.27%



Note: Mr. Li Guang Ming holds an 80% equity interest in Jianheng Holding Company Limited ("Jianheng Holding"). Mr. Li Guang Ming is deemed to be interested in the same number of shares held by Jianheng Holding under the SFO.

Other than the holdings disclosed above, none of the Company's directors, chief executives, supervisors, and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2007.

(b) Interests discloseable under SFO and substantial shareholders

So far as the Directors are aware, as at 30 June 2007, the persons or companies (not being a Director or chief executive of the Company) have interests and/or long positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of substantial shareholders	Capacity	Number and class of securities	Approximate percentage of H shares	Approximate percentage of total registered share capital
Wu Di	Beneficial owner	29,280,000 H shares	14.63%	5.63%
Principes MB Asset Management Corp.	Beneficial owner	11,416,000 H shares	5.70%	2.20%

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 30 June 2007.



ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company during the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors of the Company, all Directors of the Company confirm that they complied with such code of conduct throughout the period from the listing date of the Company to 30 June 2007.

AUDIT COMMITTEE

The Company has established an audit committee since June 2004 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company and provide advice and comments to the Directors. The audit committee comprises three independent non-executive Directors, namely, Mr. Gao Xiang Nong, Mr. Li Quan Sheng and Mr. Zhang Yu Chuan.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters. The audit committee has also reviewed the unaudited interim results of the Company for the six month ended 30 June 2007.



CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules of the Stock Exchange save for the deviation from code provision A.2.1, B.1, A.4.4.

Chairman and the Chief Executive Officer

The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision in the Corporate Governance Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- Audit Committee composed exclusively of independent non-executive directors; and
- The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Li, the executive chairman, is a substantial shareholder of the Group and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

Remuneration committee

During the period under review, the Company has not established a remuneration committee as set out in B.1 of the Code. The Board considers that the Company needs not set up a remuneration committee as remuneration of the directors are determined by the Board and subject to the approval of shareholders in general meeting in accordance with the Articles and Association of the Company.



Nomination committee

The Board is responsible for considering the suitability of a candidate to act as a director, and approving and terminating the appointment of a director. During the period under review, the Company has not complied the requirement to establish a nomination committee with specific written terms of reference which deal clearly with its authority and duties as set out in Code provision A.4.4 of the Code.

The chairman is mainly responsible for identifying suitable candidates for members of the Board when there is a vacancy or an additional director is considered necessary. The chairman will propose the appointment of such candidates to each member of the Board for consideration and each member of the Board will review the qualifications of the relevant candidates for determining the suitability to the Group on the basis of his qualifications, experience and background. The decision of appointing a director must be approved unanimously by the members of the Board and make recommendation to the shareholders' meeting for approval.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

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

DIRECTORS

As at the date hereof, the executive Directors are Mr. Li Qi Ming, Mr. Zhu Qing Feng, Mr. Li Wen Jun and Mr. Li Guang Ming; and the independent non-executive Directors are Mr. Gao Xiang Nong, Mr. Li Quan Sheng and Mr. Zhang Yu Chuan.

By Order of the Board

Li Qi Ming

Chairman

10 August 2007, Shenzhen, the PRC