



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



6826/42

Interim Report
For The Six Months
Ended 30 June 2008



* For identification purpose only

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CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The Exchange takes no responsibility for the contents of this report, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, 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.

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HIGHLIGHTS

- For the six months ended 30 June 2008, unaudited turnover decreased to approximately RMB39,918,000, which represents an approximate 9.2% decrease as compared to that of the same period last year. The profit attributable to the shareholders for the six months ended 30 June 2008 was approximately RMB978,000 (2007: loss of approximately RMB768,000).
- Earnings per share of the Group was approximately RMB0.19 cents for the six months ended 30 June 2008.

To all shareholders,

The Board of Directors (the "Board") are pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and six months ended 30 June 2008 together with comparative figures for the corresponding periods ended 30 June 2007, as follows:

THE FINANCIAL STATEMENTS**Unaudited Condensed Consolidated Income Statement**

For the three months and six months ended 30 June 2008 and 30 June 2007

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2007 RMB'000 (Unaudited)
Turnover	3	22,824	24,278	39,918	43,982
Cost of sales		(15,636)	(18,238)	(27,550)	(32,094)
Gross profit		7,188	6,040	12,368	11,888
Other operating income		112	798	127	980
Distribution costs		(1,385)	(1,618)	(2,373)	(3,131)
Administrative expenses		(3,077)	(3,593)	(5,917)	(7,400)
Other operating expenses		(18)	(92)	(18)	(100)
Profit from operations	5	2,820	1,535	4,187	2,237
Finance costs		(838)	(1,344)	(2,098)	(2,707)
Profit/(Loss) before taxation		1,982	191	2,089	(470)
Income tax expense	6	(584)	(16)	(632)	(26)
Profit/(Loss) for the period		1,398	175	1,457	(496)
Attributable to:					
Equity holders of the parent		928	22	978	(768)
Minority interest		470	153	479	272
		1,398	175	1,457	(496)
Dividend	7	—	—	—	—
Earnings/(Loss) per share					
– Basic	8	0.18 cents	0.004 cents	0.19 cents	(0.15 cents)



Unaudited Condensed Consolidated Balance Sheet

At 30 June 2008 and 31 December 2007

	As at 30 June 2008	As at 31 December 2007
<i>Notes</i>	RMB'000	<i>RMB'000</i>
	(Unaudited)	<i>(Audited)</i>
Non-current assets		
Property, plant and equipment	19,394	20,469
Prepaid lease payments	2,430	2,471
Other financial assets	233	525
Long-term receivables	1,300	1,300
	23,357	24,765
Current assets		
Inventories	16,648	14,846
Trade receivables, deposits and prepayments	54,390	45,684
Prepaid leases payments	82	82
Amount due from a shareholder	500	500
Amounts due from directors	995	1,836
Pledged bank deposits	3,429	3,618
Bank balances and cash	12,620	25,802
	88,664	92,368

		As at 30 June 2008 RMB'000 (Unaudited)	As at 31 December 2007 RMB'000 (Audited)
	<i>Notes</i>		
Current liabilities			
Trade and other payables	10	(49,676)	(53,925)
Tax liabilities		(6,937)	(7,177)
Borrowings	11	(29,200)	(27,280)
		(85,813)	(88,382)
Net current assets		2,851	3,986
Total assets less current liabilities		26,208	28,751
Non-current liabilities			
Borrowings	11	(16,000)	(20,000)
		10,208	8,751
Capital and reserves			
Paid-in capital	12	52,000	52,000
Reserves		(43,032)	(44,010)
Equity attributable to equity holders of the parent		8,968	7,990
Minority interests		1,240	761
		10,208	8,751

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2008 and 30 June 2007

	Paid-in capital	Share premium	Statutory (Accumulated			Total	Minority interest	Total
			Statutory surplus reserve	public welfare fund	losses)/ 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 2007	52,000	17,574	5,908	2,955	(6,690)	71,747	4,004	75,751
Net loss for the period	—	—	—	—	(768)	(768)	272	(496)
At 30 June 2007	<u>52,000</u>	<u>17,574</u>	<u>5,908</u>	<u>2,955</u>	<u>(7,458)</u>	<u>70,979</u>	<u>4,276</u>	<u>75,255</u>
At 1 January 2008	52,000	17,574	5,908	2,955	(70,447)	7,990	761	8,751
Net profit for the period	—	—	—	—	978	978	479	1,457
At 30 June 2008	<u>52,000</u>	<u>17,574</u>	<u>5,908</u>	<u>2,955</u>	<u>(69,469)</u>	<u>8,968</u>	<u>1,240</u>	<u>10,208</u>



Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2008 and 30 June 2007

	Six months ended	
	30 June	
	2008	2007
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(11,153)	(1,660)
Net cash generated from investing activities	51	46
Net cash used in financing activities	(2,080)	(9,140)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(13,182)	(10,754)
Cash and cash equivalents at beginning of the period	25,802	24,381
	<hr/>	<hr/>
Cash and cash equivalents at end of the period		
– represented by bank balances and cash	12,620	13,627
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Financial Statement

For the period ended 30 June 2008

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 2007.

The HKICPA has issued certain and revised HKFRS that are first effective or available for early adoption for the current period of the Group. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group for current and previous accounting periods.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

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	
	2008 <i>RMB'000</i> <i>(Unaudited)</i>	2007 <i>RMB'000</i> <i>(Unaudited)</i>	2008 <i>RMB'000</i> <i>(Unaudited)</i>	2007 <i>RMB'000</i> <i>(Unaudited)</i>
Sales of card products	21,394	22,055	36,969	39,787
Sales of non-card products	1,430	2,223	2,949	4,195
	22,824	24,278	39,918	43,982

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 2008

	Card products <i>RMB'000</i>	Non-card products <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue			
External sales	36,969	2,949	39,918
	<u> </u>	<u> </u>	<u> </u>
Results			
Segment results	4,717	(639)	4,078
	<u> </u>	<u> </u>	
Unallocated bank interest income			116
Unallocated other operating income			11
Unallocated corporate expenses			(18)
			<u> </u>
Profit from operations			4,187
Finance costs			(2,098)
			<u> </u>
Profit before taxation			2,089
Income tax expense			(632)
			<u> </u>
Profit before minority interests			1,457
Minority interests			(479)
			<u> </u>
Net Profit for the period			<u> </u> <u> </u>



For the six months ended 30 June 2007

	Card products <i>RMB'000</i>	Non-card products <i>RMB'000</i>	Consolidated <i>RMB'000</i>
Revenue			
External sales	<u>39,787</u>	<u>4,195</u>	<u>43,982</u>
Results			
Segment results	<u>1,516</u>	<u>(159)</u>	1,357
Unallocated bank interest income			143
Unallocated other operating income			837
Unallocated corporate expenses			<u>(100)</u>
Profit from operations			2,237
Finance costs			<u>(2,707)</u>
Loss before taxation			(470)
Income tax expense			<u>(26)</u>
Loss before minority interests			(496)
Minority interests			<u>(272)</u>
Net loss for the period			<u><u>(768)</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	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment				
– owned assets	531	681	1,100	1,360
– assets under finance leases	—	12	—	23
Amortisation of prepaid lease payments	21	21	41	41
	<u>552</u>	<u>714</u>	<u>1,141</u>	<u>1,424</u>
Total depreciation and amortization	<u>552</u>	<u>714</u>	<u>1,141</u>	<u>1,424</u>

6. INCOME TAX EXPENSE

The charge represents enterprise income tax in the PRC.

	For the three months ended 30 June		For the six months ended 30 June	
	2008	2007	2008	2007
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax				
Current period	584	2	632	6
Under-provision in prior years	—	14	—	20
	<u>584</u>	<u>16</u>	<u>632</u>	<u>26</u>
Total PRC enterprise income tax	<u>584</u>	<u>16</u>	<u>632</u>	<u>26</u>

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 15% to 25% on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at 30 June 2007 and 30 June 2008.

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 2008 (2007: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share for the six months ended 30 June 2008 is based on the unaudited net profit for the relevant period of approximately RMB978,000 (2007: loss of approximately RMB768,000) and the weighted average number of 520,000,000 shares (2007: 520,000,000 shares).

Diluted earnings/(loss) 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 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
1-90 days	19,056	14,137
91-180 days	5,029	3,632
181-365 days	5,865	5,490
Over 365 days	15,225	15,838
	<hr/>	<hr/>
Trade receivables	45,175	39,097
Advance to suppliers	1,189	1,512
Other financial assets	700	700
Other receivables, deposits and prepayments	7,326	4,375
	<hr/>	<hr/>
	54,390	45,684
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade receivables, deposits and prepayments at 30 June 2008 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 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
1-90 days	14,543	19,591
91-180 days	1,021	2,250
181-365 days	1,763	2,708
Over 365 days	8,593	7,891
	<hr/>	<hr/>
Trade payables	25,920	32,440
Value-added tax payable	9,002	9,524
Deposits from customers	107	50
Other payables	14,647	11,911
	<hr/>	<hr/>
	49,676	53,925
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade payables and other payables at 30 June 2008 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 2008.



13. CAPITAL COMMITMENTS

	30 June 2008 RMB'000 (Unaudited)	31 December 2007 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 2008 RMB'000 (Unaudited)	31 December 2007 RMB'000 (Audited)
Property, plant and equipment	9,005	9,539
Prepaid lease payment	2,512	2,553
Bank deposits	3,429	3,618
	14,946	15,710

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 2008, the turnover of the Group amounted to approximately RMB39,918,000, as compared to RMB43,982,000 for the corresponding period last year, representing a decrease of 9.2% mainly due to the keen competition in card products market. As a result of tight control in costing, the Group recorded a profit attributable to the shareholders of approximately RMB978,000 during the period.

(II) Business Review

The Group's turnover for the six months ended 30 June 2008 was approximately RMB39,918,000 (2007: approximately RMB43,982,000), representing a decline of approximately 9.2% as compared to the corresponding period in 2007. Such decline was mainly due to the keen marketing competition in card products during the period under review.

Because of the decrease in sales, the Group's cost of sales for the six months ended 30 June 2008 was also decreased from approximately RMB32,094,000 to approximately RMB27,550,000, representing a decrease of approximately 14.2% as compared to that of the same period in 2007. The gross profit for the six months ended 30 June 2008 was increased by approximately 4% to approximately RMB12,368,000 (2007: approximately RMB11,888,000), with gross profit margin of 31% (2007: 27%) as compared with the same period in 2007. The increase in gross profit margin is mainly due to the drop of sale orders with lower profit margin.

With the Group's great efforts put on implementing a stringent measures in cost control, the Group's distribution costs, administrative expenses and finance costs were all decreased. In comparison with the same period in 2007, the distribution costs was decreased by approximately 24.2% to approximately RMB2,373,000 (2007: approximately RMB3,131,000). The administrative expenses were decreased by approximately 20% to approximately RMB5,917,000 (2007: approximately RMB7,400,000). Finance costs for the period were approximately RMB2,098,000, representing a decrease of 22.5% as compared to approximately RMB2,707,000 for the corresponding period in 2007, which was mainly due to the decrease in bank loans.

For the six months ended 30 June 2008, the Group's profit attributable to the shareholders was approximately RMB978,000 (2007: loss of approximately RMB768,000).

The Group's operations for the first half of 2008 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 of Key Sales Strategies**

As the Group's card business was facing aggressive pricing competition, the Group has gradually strengthened its R&D and sales of high profit value-added products such as CPU Card and eKey. With the further implementation of the national Electronic Signature Law in various fields and industries, eKey, the Group's high-end security communication product, has achieved higher market share and more competitive edges in such markets.

On the industrial application front, we continued to solidify and expand the market share of eKey in the PRC e-Government program, online banking, social insurance and code security, laying a solid foundation for our high-end products to further expand and achieve higher profit in the security communication market in the future.

The Group continued to maintain a steady growth in the sales of IC card and logical coded card products through our sales channels, expand our sales effort on the franchise business and maintain our relationship with key clients, so as to ensure a steady stream of orders.

We expanded our effort on the R&D and co-operation of WLAN products, and took the initiative to participate in the governmental security communication procurement program of WLAN products for the Olympics 2008. This product will become a new profit generator and highlight in the expansion of new market for the Group.

2. **R&D and Technical Support**

We continued contributing to the R&D of high-end products such as eKey, the Smart Card Operating System (SCOS) and Radio Frequency Identification ("RFID"), and upgraded the SCOS to meet the changing needs of industrial applications and new research platform. We strengthened our after-sale services by adopting a one-station technical support strategy, so as to ensure a full coverage of technical support for key clients from various industries, in a timely and considerable manner.

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 RFID market at the same time engaging in batching and mass production to a greater extent.

4. **Overseas Market Expansion**

The Group continued to expand its effort on international market expansion and sales promotion, and solidified its sales channels and strategic relationships, so as to enlarge its market share.

(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. **Technical Development**

The Group will continue to contribute to the R&D of SCOS, completing the SCOS to meet the upgrading standards of Europay Master Card and Visa standard, Code Division Multiple Access (CDMA), and the fingerprint OS and Java OS.

We will continue to upgrade and complete our eKey products, and complete the R&D of broadband eKey and security smart card by plan.

We will continue to promote the serialization and marketization of the RFID products, and enhance the compatibility of RFID antenna.

The Group will enhance its sales and marketing for overseas brand by strengthening its overseas promotion and operation. In the meanwhile, we will realize the complementation effect of advantages through overseas cooperation, making every effort to build "M&W" a renowned brand in the international smart card industry.

2. **Marketing Strategy**

On the premise of a solidified market share, the Group will continue to expand the application of its eKey products in the commercial bank network and e-government in the PRC, so as to enlarge its market share and expand its application in other fields of security communication.

It is the marketing strategy of CPU Card to solidify and promote its application in the key industries such as social insurance and banking, on a continuous basis.

We will expand our effort on exploring overseas markets, and enhance the international coverage of the M&W brand. We will implement our agency system across the world, and establish distribution relationships with leading corporates in the industry from various countries.

3. **Management Operation**

The Group will complete its system, promote its corporate management, implement a centralized procurement and distribution system and implement a central capital allocating system, so as to maximize the utility of its capital resources.

The Group will continue to put in efforts in implementing a budget control system and to construct an expense status feedback mechanism over administrative expenses for designated projects. We will strengthen our review on contracts and the control and management over receivables in the financial operation, so as to control the risks associated with the Group's operation.

4. **Conclusion**

The Group will put more efforts in consolidating its market position and market development, maintain the technological advantage of its products and allocate the Group'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 2008, the Group had net current assets of approximately RMB2,851,000. Current assets as at 30 June 2008 comprise inventories of approximately RMB16,648,000, trade receivables, deposits and prepayments of approximately RMB54,390,000, prepaid lease payments of approximately RMB82,000, amount due from a shareholder of approximately RMB500,000, amounts due from directors of approximately RMB995,000, pledged bank deposits of approximately RMB3,429,000, and bank balances and cash of approximately RMB12,620,000. Current liabilities as at 30 June 2008 comprise trade and other payables of approximately RMB49,676,000, tax liabilities of approximately RMB6,937,000, short-term borrowings of approximately RMB29,200,000.



CAPITAL COMMITMENTS

As at 30 June 2008, the Group had outstanding capital commitments of approximately RMB786,000 (as at 31 December 2007: approximately RMB786,000).

FINANCIAL RESOURCES

As at 30 June 2008, the Group had bank balances and cash of approximately RMB12,620,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing cash and bank balances.

GEARING RATIO

The Group's gearing ratios were approximately 90.9% and 92.5% as at 30 June 2008 and 31 December 2007 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 2008.

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 2008, the Group had 331 full time employees, comprising 68 in administration and finance, 35 in research and development and customer services, 40 in sales, 175 in production, 5 in purchases, and 8 in quality control.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2008, the Company pledged property, plant and equipment with carrying amount of approximately RMB9,005,000, land use right of approximately RMB2,512,000 and bank deposit of approximately RMB3,429,000 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 as at 30 June 2008.

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 2008 and it is the same for the six months ended 30 June 2007.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2008.

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 2008.

DISCLOSURE OF INTERESTS

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

As at 30 June 2008, 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. Li Wen Jun	Beneficial owner	3,380,000 domestic shares	1.06%	0.65%

Other than the holdings as 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 2008.

(b) Interests discloseable under SFO and substantial shareholders

So far as the Directors are aware, as at 30 June 2008, 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
Princes 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 2008.

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 to 30 June 2008.

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, Ms. Wang Xiao Hong and Mr. Deng Xiao Bao.

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 2008.

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.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2008, 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 of the Company are Mr. Li Qi Ming, Mr. Zhu Qing Feng, Mr. Li Wen Jun, and Mr. Liu Guo Fei; and the independent non-executive directors of the Company are Mr. Gao Xiang Nong, Ms. Wang Xiao Hong and Mr. Deng Xiao Bao.

By Order of the Board

Li Qi Ming

Chairman

14 August 2008, Shenzhen, the PRC