DBA Telecommunication (Asia) Holdings Limited
DBA 電訊(亞洲)控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3335)

Interim Report 2006

CONTENTS

CORPORATE INFORMATION

Board of Directors

Executive directors

Mr. YU Longrui *(Chairman)*
Mr. ZHENG Feng
Mr. CHAN Wai Chuen
Ms. YANG Yahua
Mr. YEUNG Shing

Independent non-executive directors

Mr. ZHENG Qingchang
Mr. YU Lun
Mr. YUN Lok Ming

Audit Committee

Mr. ZHENG Qingchang
Mr. YU Lun
Mr. YUN Lok Ming

Company Secretary

Mr. CHAN Wai Chuen

Auditors

CCIF CPA Limited
Certified Chartered Accountants
37th Floor
Hennessy Centre
500 Hennessy Road
Causeway Bay
Hong Kong

Registered Office

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Head Office and Principal Place of Business in Hong Kong

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Stock Code: 3335

Principal Share Registrar and Transfer Office

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Butterfield House
P.O. Box 705
George Town
Cayman Islands
British West Indies

Hong Kong Branch Share Registrar and Transfer Office
Tricor Investor Services Limited
26th Floor
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(As to Hong Kong Law)
Fred Kan & Co.
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The board of directors (the "Board") of DBA Telecommunication (Asia) Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2006, together with the comparative figures of the corresponding period in 2005.

These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's external auditors and the Company's audit committee in accordance with the Statement of Auditing Standards 700 issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

FINANCIAL HIGHLIGHTS

For the six months ended 30 June 2006

- Turnover increase by 22.6% to RMB311 million
- Gross profit increased by 21.3% to RMB128 million
- Profit attributable to shareholders increase by 23.8% to RMB84 million
- Earning per share increase by 18.6 % to RMB10.27 cents
- Interim dividend declared of HK 1 cent per share

CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 30 June	
		2006	2005
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Turnover	*5*	**311,133**	253,715
Cost of sales		**(183,288)**	(148,302)
Gross profit		**127,845**	105,413
Other revenue		**1,543**	531
Selling and distribution expenses		**(18,921)**	(16,436)
General and administrative expenses		**(10,910)**	(9,270)
Other operating expenses		**(350)**	(5)
Operating profits		**99,207**	80,233
Finance costs		**(184)**	(40)
Profit before taxation	*6*	**99,023**	80,193
Taxation	*7*	**(15,414)**	(12,641)
Profits attributable to shareholders		**83,609**	67,552
Dividends	*8*		
Interim dividend declared and paid during the interim period		**95,341**	65,186
Interim dividend declared of HK 1 cent (2005: nil) per share		**10,790**	–
		106,131	65,186
Earnings per share	*9*		
– basic		**10.27 cents**	8.66 cents
– diluted		**N/A**	N/A

CONDENSED CONSOLIDATED BALANCE SHEET

	Note	At 30 June 2006 (Unaudited) RMB'000	At 31 December 2005 (Audited) RMB'000
Non-current assets			
Lease premium on land		**1,759**	1,781
Property, plant and equipment	*10*	**18,031**	18,862
		19,790	20,643
Current assets			
Inventories		**20,268**	17,244
Trade receivables	*11*	**192,106**	159,099
Prepayments, deposits and other receivables		**40,583**	24,954
Amount due from a director		**22**	–
Cash and bank balances		**400,944**	156,456
		653,923	357,753
Current liabilities			
Trade payables	*12*	**12,054**	9,922
Accruals and other payables		**36,923**	32,293
Bank loan		**–**	6,000
Amount due to a director		**198**	16
Amount due to ultimate holding company		**–**	10,968
Tax payable		**8,209**	7,430
		57,384	66,629
Net current assets		**596,539**	291,124
Total assets less current liabilities		**616,329**	311,767
Represented by:			
SHARE CAPITAL	*13*	**107,900**	83
RESERVES		**508,429**	311,684
SHAREHOLDERS' EQUITY		**616,329**	311,767

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2006

	Share capital	Share premium	Merger reserve (Note a)	Other reserve (Note b)	General reserve (Note c)	Exchange reserve	Contributed surplus	Special reserve	Retained profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(Unaudited)										
As at 1 January 2005	83		(57,000)	87,000	47,435				152,350	229,868
Profit attributable to shareholders									146,969	146,969
Transfer to general reserve					23,614				(23,614)	0
Exchange differences arising from combination						(499)				(499)
Dividend paid									(64,571)	(64,571)
As at 1 January 2006	83	0	(57,000)	87,000	71,049	(499)	0	0	211,134	311,767
Issue of shares by the Company at nil paid and credited as fully paid on reorganisation	6,240						249,912			256,152
Effect of the reorganisation	(83)			(87,000)		1,642	(249,912)	79,201		(256,152)
Issue of shares	26,780	310,648								337,428
Share issuance expenses		(20,277)								(20,277)
Capitalisation of share premium	74,880	(74,880)								0
Profit attributable to shareholders									83,609	83,609
Transfer to reserve					5,001				(5,001)	0
Exchange difference arising from combination						(857)				(857)
Dividend paid									(95,341)	(95,341)
As at 30 June 2006	107,900	215,491	(57,000)	0	76,050	286	0	79,201	194,401	616,329

Notes:

(a) Pursuant to the Reorganisation effected on 28 August 2003, Skyban acquired the entire issued share capital of Fujian Create State in consideration of allotment and issue of 10,000 shares. Under the merger basis of accounting, the excess of purchase consideration in respect of the acquisition of Fujian Create State over the amount of the paid-up capital of Fujian Create State was debited to the merger reserve account.

(b) Other reserve represents contributions from the shareholders of Skyban in respect of the acquisition of Fujian Create State on 29 August 2003. The amount was capitalised as share capital of Skyban on 11 May 2006.

(c) General reserve comprises statutory surplus fund and enterprise expansion fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries while the amount and allocation basis are decided by its board of directors annually. The statutory surplus reserve fund can be used to make up its prior year losses, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Cash generated from operating activities	**43,283**	52,011
Tax paid	**(14,635)**	(8,225)
Net cash from operating activities	**28,648**	43,786
Net cash from investing activities	**1,058**	481
Net cash from/(used in) financing activities	**215,639**	(59,218)
Net increase/(decrease) in cash and cash equivalents	**245,345**	(14,951)
Cash and cash equivalents at 1 January	**156,456**	111,491
Effect of foreign exchanges rates changes, net	**(857)**	–
Cash and cash equivalents at 30 June	**400,944**	96,540

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. Principal activities and reorganisation

The Group is principally engaged in the design, manufacture and sale of telecommunication equipment and related products under the brand name "締邦" (DEBAN) in the PRC. The address of its registered office is M&C Corporate Services Limited, PO Box 309GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands.

DBA Telecommunication (Asia) Holdings Limited (the "Company") was incorporated in the Cayman Islands on 15 June 2004 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares have been listed on The Stock Exchange of Hong Kong Limited with effect from 11 May 2006. Pursuant to a group reorganisation ("Reorganisation") in the preparation of the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited, the Company became the holding company of the Group as a result of the Reorganisation completed on 14 April 2006, which involved the transfer to the Company by Daba International Investments Limited ("Daba") and Kenwell Enterprise Corp. ("Kenwell") 10,000 shares, in aggregate, being the entire issued share capital in Skyban International Holdings Limited ("Skyban"), the intermediate holding company of the Group which acquired 100% interest in Fujian Create State Industry Co., Limited ("Fujian Create State"), on 28 August 2003, in consideration and in exchange for which the Company (i) allotted and issued, credited as fully paid 59,000,000 new shares of the Company as to 40,120,000 shares to Daba and 18,880,000 shares to Kenwell and (ii) credit and as fully paid at par the 680,000 and 320,000 nil paid shares then held by Daba and Kenwell respectively.

2. Basis of preparation

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

The interim financial report has been prepared in accordance with the same accounting policies adopted in the Prospectus issued by the Company dated 11 May 2006 (the "Prospectus"). Accordingly, this interim financial report should be read in conjunction with the Prospectus.

2. Basis of preparation *(Continued)*

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the issue of the Prospectus. The condensed consolidated interim financial statements and notes thereon do not include all the information required for full set of financial statements prepared in accordance with HKFRSs. The interim financial report is unaudited.

The financial information relating to the financial year ended 31 December 2005 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory financial statements for that financial year but it is derived from the Prospectus.

In this reporting period, the Group had applied for the first time, a number of new HKFRSs issued by the HKICPA that are effective for accounting periods beginning on or after 1 January 2006. The adoption of the new HKFRSs has had no material effect on the results and financial position for the current or prior accounting period as prepared and presented.

3. Summary of the effects of the changes in accounting policies

The Group has not early applied the following new standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these standards, amendments or interpretations will have no material impact on the financial statements of the Group:

HKAS 1 (Amendment)	Capital disclosures[1]
HKFRS 7	Financial instruments: Disclosures[1]
HK (IFRIC)-Int-7	Applying the restatement approach under HKAS 29 Financial Reporting in Hyperinflationary Economies[2]
HK (IFRIC)-Int-8	Scope of HKFRS 2[3]
HK (IFRIC)-Int-9	Reassessment of embedded derivatives[4]

1 Effective for annual periods beginning on or after 1 January 2007.
2 Effective for annual periods beginning on or after 1 March 2006.
3 Effective for annual periods beginning on or after 1 May 2006.
4 Effective for annual periods beginning on or after 1 June 2006.

4. Segment information

More than 95% of the operating profits and assets are attributable to the Group's operations, manufacturing and sales of telecommunication products in the PRC. The Group derived its revenue from three categories of products, namely communication terminal equipment, intelligent electronic products and communication transmission connection products. As the nature of these products, their production processes and the methods used to distribute these products are similar; they are combined and reported as a single business segment. Accordingly, no analysis by geographical and business segment is presented herein.

5. Turnover and other revenue

Turnover represents the invoiced value of goods sold after deducting goods returned, trade discount and sale tax.

Turnover and other revenue consisted of:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Turnover		
Sales of telecommunication products	**311,133**	253,715
Other revenue		
Bank interest income	**1,543**	481
Government grants	**–**	50
	1,543	531
Total revenue	**312,676**	254,246

6. Profit before taxation

Profit before taxation is arrived at after charging:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Amortisation of lease premium on land	**22**	22
Auditors' remuneration	**201**	28
Cost of goods sold	**183,288**	148,302
Depreciation	**1,316**	1,468
Less: Amount included in research and development costs	**(201)**	(244)
	1,115	1,224
Staff costs (including directors' remuneration)		
Wages and salaries	**18,626**	16,384
Retirement scheme	**444**	370
	19,070	16,754
Less: Amount included in research and development costs	**(743)**	(725)
	18,327	16,029
Interest expenses on bank loans wholly repayable within 5 years	**171**	32
Research and development costs	**2,420**	1,883
Operating lease payment in respect of premises	**422**	467

7. Taxation

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
PRC enterprise income tax	**15,414**	12,641

7. **Taxation** *(Continued)*

(i) Fujian Create State, which was formerly a sino-foreign equity joint venture, was subject to PRC enterprise income tax at a rate of 15% applicable to the company on the assessable profits for the year and is exempted from the PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses being the year ended 31 December 2000, followed by a 50% reduction for the next three years. Commencing from 2002, the profit generated from Fujian Create State was subject to an income tax rate of 7.5% being half of the corporate income tax rate applicable; such tax exemption was expired as at 31 December 2004. With effect from 13 November 2003, Fujian Create State was changed from a sino-foreign equity joint venture to a wholly foreign owned enterprise, and the tax concession remains unchanged.

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits for the period (six months ended 30 June 2005: Nil).

(iii) The Group had no significant unprovided deferred tax assets or liabilities at 30 June 2006 (2005: Nil).

8. **Dividend**

(i) *Dividends attributable to the interim period*

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Interim dividend declared and paid after the interim period of HK 1 cent per share (2005: Nil)	**10,375**	–
	RMB'000	*RMB'000*
Equivalent to	**10,790**	–

The interim dividend has not been recognised as a liability at the balance sheet date.

8. **Dividend** *(Continued)*

(ii) During the six months ended 30 June 2006 and 2005, a company of the Group had paid dividends to their then shareholders prior to the Group Reorganisation. Details of dividends are as follows:

	Six months ended 30 June	
	2006	2005
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Skyban	**95,341**	65,186

9. **Earning per share**

The calculation of basic earnings per share is based on the profit attributable to equity holders of the parent of approximately RMB83,609,000 (six months ended 30 June 2005: RMB67,552,000) and the weighted average number of 813,382,918 shares (2005: 780,000,000 shares) in issued during the period.

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares for the six months ended 30 June 2006 and 2005.

10. **Property, plant and equipment**

During the six months ended 30 June 2006, the Group acquired motor vehicle with a cost of RMB485,000 (six months ended 30 June 2005: Nil).

11. **Trade receivables**

The Group normally grants credit terms of 90 days to its customers.

The ageing analysis of trade receivables is as follows:

	At 30 June 2006	At 31 December 2005
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
0 to 30 days	**62,667**	56,046
31 to 60 days	**63,498**	61,707
61 to 90 days	**61,054**	39,004
91 to 180 days	**4,887**	2,342
	192,106	159,099

12. Trade payables

The ageing analysis of trade payables is as follows:

	At 30 June 2006 (Unaudited) *RMB'000*	At 31 December 2005 (Audited) *RMB'000*
0 to 30 days	**11,224**	9,296
31 to 60 days	**792**	594
61 to 90 days	**6**	–
91 to 180 days	**–**	–
180 to 365 days	**–**	–
over 365 days	**32**	32
	12,054	9,922

13. Share capital

Ordinary shares of HK$0.1 each	Number of shares *'000*	Amount *HK$'000*
Authorised		
Upon incorporation of the Company (a)	2,000	200
Increase in authorised share capital (b)	3,998,000	399,800
As at 30 June 2006	4,000,000	400,000
Issued and fully paid		
Issue of shares upon incorporation (a)	1,000	100
Issue of shares from the Reorganisation (c)	59,000	5,900
Issue of shares through a placing and public offer (d)	257,500	25,750
Capitalisation of share premium (e)	720,000	72,000
As at 30 June 2006	1,037,500	103,750
		RMB'000
Equivalent to		107,900

As at 31 December 2005, the share capital shown on the consolidated balance sheet representing the share capital of Skyban, the then holding company of the Group prior to the Reorganisation (See Note 1 to the financial statements).

13. Share capital *(Continued)*

Notes:

(a) Upon incorporation on 15 June 2004, the Company had authorised share capital of HK$200,000, divided into 2,000,000 shares of HK$0.10 each. On the same date and on 26 July 2004, one subscriber's share and 999,999 shares were allotted and issued as nil paid shares respectively, which were subsequently credited as fully paid at par as noted in (c) below.

(b) Pursuant to the written resolutions passed on 14 April 2006, the Company's authorised share capital was increased from HK$200,000 to HK$400,000,000 of a par value of HK$0.10 each by the creation of 3,998,000,000 additional shares each ranking pari passu with the existing shares in all respects.

(c) On 14 April 2006, the Company allotted and issued 59,000,000 shares, together with the 1,000,000 shares allotted and issued on 15 June 2004 and 26 July 2004 as noted in (a) above, of HK$0.10 each, credited as fully paid, in exchange for the acquisition by the Company of the entire share capital of Skyban, the then holding company of the Group.

(d) In connection with the Company's initial public offering, a total of 257,500,000 shares of HK$0.10 each were issued at a price of HK$1.26 per share of a total cash consideration, before expenses, of approximately HK$324,450,000. Dealings in these shares on the Stock Exchange commenced on 11 May 2006.

(e) Pursuant to the written resolutions passed on 14 April 2006, share premium of approximately HK$72,000,000 was capitalised for the issuance of 720,000,000 shares of HK$0.10 each on a pro-rata basis to the Company's shareholders on 14 April 2006.

14. Capital commitments

	At 30 June 2006 (Unaudited) ***RMB'000***	At 31 December 2005 (Audited) *RMB'000*
Capital expenditure in respect of the acquisition of property, plant and equipment contracted but not provided in the financial statements	2,201	–

MANAGEMENT DISCUSSION AND ANALYSIS
BUSINESS REVIEW

Results

For the six months ended 30 June 2006, the Group achieved satisfactory results with increased contributions from the sale of intelligent electronic products business. The Group recorded a turnover of approximately RMB311 million, representing an increase of 22.6 % as compared to the same period last year. Gross profit increased to approximately RMB128 million, an increase of 21.3 % as compared to the same period last year. Profit attributable to shareholders increased to approximately RMB84 million, representing an increase of 23.8 % as compared to the corresponding same period. Earnings per share were RMB10.27 cents.

Sales of communication terminal equipments

Public telephone booths, public telephones and wireless business telephones, which are under the communication terminal equipments category, are the principal products of the Group. For the six months ended 30 June 2006, turnover derived from the sales of Communication terminal equipments increased by 8.3% to approximately RMB180 million, accounting for approximately 58% of the Group's total turnover. Out of which, turnover derived from the sales of public telephone booths increased by 12.9% to approximately RMB105 million, accounting for approximately 34% of the Group's total turnover; turnover derived from the sales of public telephones and wireless business telephones increased by 2.4% to approximately RMB75 million, accounting for approximately 24% of the Group's total turnover. The increase in turnover was mainly attributable to the increase in demand for telecommunication equipment driven by economic growth and urbanization and the Group's efforts in improving the quality of the products.

Sales of intelligent electronic products

The Group's intelligent electronic products comprise of smart card vending machines, which provide self-service purchase of smart cards to the pubic. For the six months ended 30 June 2006, turnover derived from the sales of intelligent electronic products increased by 63.9% to approximately RMB103 million, accounting for approximately 33% of the Group's total turnover. The increase in turnover was mainly attributable to the increase in popularity of smart card telephone cards and the Group's introduction of new models of smart card vending machines.

BUSINESS REVIEW *(Continued)*

Sales of communication transmission connection products

The Group's communication transmission connection products are devices which organize and connect different components in the telecommunication channels. They include ODFs and optical passive devices. For the six months ended 30 June 2006, turnover derived from the sales of communication transmission connection products increased by 14.1% to approximately RMB28 million accounting for approximately 9% of the Group's total turnover. The increase in turnover was mainly attributable to the Group's efforts in improving the quality of the products and maintaining the products at a competitive price to its customers for its existing products and new products launched.

FINANCIAL REVIEW

Liquidity and financial resources

As at 30 June 2006, the Group had net assets of approximately RMB616 million comprising non-current assets of approximately RMB20 million and net current assets of approximately RMB596 million.

The Group's total borrowings decreased from RMB6 million as at 31 December 2005 to Nil as at 30 June 2006. The net decrease is resulted from the full repayment of bank loans.

The Group's cash and cash equivalents amounts to approximately RMB401 million as at 30 June 2006 are mostly denominated in RMB and Hong Kong dollars.

Capital commitments

As at 30 June 2006, the Group has capital commitments in respect of the acquisition of properties, plant and equipment amounted to approximately RMB2 million in respect of the acquisition of property, plant and equipment contracted but not provided in the financial statements.

Contingent liabilities

The Group had no contingent liabilities as at 30 June 2006.

FINANCIAL REVIEW *(Continued)*

Acquisition and disposals of subsidiaries and associated companies

For the six months ended 30 June 2006, there were no acquisition and disposal of subsidiaries and associated companies.

Charge on the Group's assets

As at 30 June 2006, all charges on the assets of the Group have been released or discharged.

OUTLOOK

The Directors are optimistic about the Group's business outlook and believe that the overall market conditions faced by the Group will remain to be challenging. It is expected that sales from the communication terminal equipment, intelligent electronic products and communication transmission connection products remain strong and will continue to grow as a result of the significant economic growth in the PRC. As the utilization rate of the production facilities have already reached a relatively high level. In order to cope with the anticipated demand of the Group's products, and to facilitate the production of new products, the Group's plan to expand the production capacity through construction of new production facilities is on its schedule. The Group plans to invest approximately HK$70 million of the new production facilities including the acquisition of the land, construction of the new factory building and installation of the water and electricity facilities. It is expected that the new production facilities will be completed approximately by the second half of 2007. The Group is undergoing research to set up additional representative offices in major cities in the PRC so as to expand its sales and marketing network. Moreover, with respect to the plan to expand into the South East Asia market, the Group is performing research in certain South East Asia countries. Furthermore, with a view to promoting the Group's image and products, the Group will actively participate in trade fare and exhibitions. In recognition of the importance of enhancement of existing products, the Group has put efforts in researching and developing more advanced and efficient products. Besides, the Group would like to improve its financial result by taking effective measures to control manufacturing cost, selling and distribution costs, administrative expenses and research and development expenditure and will strive to maintain its debtors turnover days and inventory turnover days at a healthy level.

INTERIM DIVIDEND

The Board has declared to pay an interim dividend of HK 1 cent per ordinary share for the six months ended 30 June 2006 payable on or about 6 October 2006 to shareholders whose names appear on the register of members of the Company on 25 September 2006.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 25 September 2006 to Thursday, 28 September 2006, both days inclusive, during which period no transfer of shares will be affected. In order to qualify for the interim dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar in Hong Kong , Tricor Investor Services Limited at Level 26th Floor, Tesbury Centre, 28 Queen's Road East, Hong Kong not later than 4:00 p.m. on Friday, 22 September 2006.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2006, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES *(Continued)*

Long positions in ordinary shares of the Company:

Name of Directors	Capacity	Interests in shares as at 30 June 2006			Interest in underlying shares pursuant to share option as at 30 June 2006	Aggregate interests as at 30 June 2006	Percentage of issued share capital of the Company as at 30 June 2006
		Personal interests	Corporate interests	Total			
Yu Longrui	Beneficial owner	500,400,000	Nil	500,400,000	Nil	500,400,000 *(Note 1)*	48.23%
Yang Yahua	Beneficial owner	500,400,000	Nil	500,400,000	Nil	500,400,000 *(Note 1)*	48.23%

Note 1: These 500,400,000 ordinary shares are held by Daba International Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 77.60% and 5.49% by Mr. Yu Longrui and Ms. Yang Yahua respectively.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any director of the Company, as at 30 June 2006, other than the interests of the directors of the Company as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholders	Number of ordinary shares held as at 30 June 2006	Percentage of the Company's issued share capital as at 30 June 2006
Kenwell Enterprise Corp.	249,600,000 *(Note 1)*	24.06%
Li Xundeng	249,600,000 *(Note 1)*	24.06%
Chartered Asset Management Pte Limited	73,764,000	7.11%

Note 1: Kenwell Enterprise Corp., a company incorporated in the British Virgin Islands with limited liability and is wholly owned by Mr. Li Xundeng.

SHARE OPTIONS

On 14 April 2006, the Company adopted a share option scheme (the "Scheme") for the purposed of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultants, advisers, managers or officers of the Group, and the Company's shareholders. The Scheme will remain in force for 10 years from the date of its adoption.

SHARE OPTIONS *(Continued)*

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

As at the date of this report, no option has been granted or agreed to be granted pursuant to the Scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2006, the Group employed approximately 584 employees for its principal activities. The Group recognizes the importance of high caliber and competent staff and continues to provide remuneration packages to employees with reference to prevailing market practices and individuals performance. Other Various benefits, such as medical and retirement benefits, are also provided. In addition, share option may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

PURCHASES, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2006.

CORPORATE GOVERNANCE

The Group continues to achieve high standards of corporate governance which it believes is crucial to the development of the Group and to safeguard the interests of the Company's shareholders.

The Company has taken effective measures to ensure that it is in compliance with the code provisions and as far as reasonably the recommended best practices of the Code on Corporate Governance Practices (the "Corporate Governance Code") which came into effect on 1 January 2005. In the opinion of the Board, the Company has also fully complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the accounting period ended 30 June 2006.

CORPORATE GOVERNANCE *(Continued)*

In compliance with the code provisions of the Corporate Governance Code, the Company has set up an Audit Committee and a Remuneration Committee under the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Company confirmed that in respect of the six months ended 30 June 2006, all Directors have complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Corporate Governance Code and Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive directors. The members of the Audit Committee are Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

REMUNERATION COMMITTEE

The Company has established its remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The Remuneration Committee has three members comprising the Company's three independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang has been appointed as the chairman of the Remuneration Committee.

NOMINATION COMMITTEE

The Company has established its nomination committee (the "Nomination Committee") with written terms of reference in compliance with Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the board of Directors on appointment of Directors and management of the succession of the board of Directors. The Nomination Committee has three members comprising the Company's three independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang has been appointed as the chairman of the Nomination Committee.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

By Order of the Board
YU Longrui
Chairman

Hong Kong, 15 August 2006