



Corporate Information	2
Highlights	3
Condensed Consolidated Income Statement	4
Condensed Consolidated Balance Sheet	5
Condensed Consolidated Statement of Changes in Equity	6
Condensed Consolidated Cash Flow Statement	7
Notes to the Condensed Interim Financial Statements	8
Independent Accountants' Review Report	20
Management Discussion and Analysis	21
Further Information	26

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Yan Qixu (*Chairman*)  
Ms. Xiang Xiaoqin  
Mr. Shan Biao  
Ms. Kuang Lihua  
Mr. Liu Xinsheng

### Independent Non-executive Directors

Mr. Xu Kangning  
Mr. Wong Chun Hung  
Ms. Lin Sufen

## AUDIT COMMITTEE

Mr. Wong Chun Hung (*Committee Chairman*)  
Mr. Xu Kangning  
Ms. Lin Sufen

## REMUNERATION COMMITTEE

Mr. Yan Qixu (*Committee Chairman*)  
Mr. Wong Chun Hung  
Ms. Lin Sufen

## NOMINATION COMMITTEE

Ms. Xiang Xiaoqin (*Committee Chairman*)  
Mr. Xu Kangning  
Ms. Lin Sufen

## AUTHORISED REPRESENTATIVES

Mr. Liu Xinsheng  
Mr. Cheung Pui Hung, Steven

## QUALIFIED ACCOUNTANT AND COMPANY SECRETARY

Mr. Cheung Pui Hung, Steven *FCCA, FCCA*

## AUDITORS

CCIF CPA Limited

## COMPLIANCE ADVISOR

Hantec Capital Limited

## PRINCIPAL BANKER

Agricultural Bank of China Changzhou Branch  
Zou Qu Sub-Branch

## LEGAL ADVISERS ON HONG KONG LAW

Loong & Yeung

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
26th Floor, Tesbury Centre  
28 Queen's Road East  
Wanchai  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Bermuda (Cayman) Limited  
P.O. Box 513, Strathvale House  
North Church Street, George Town  
Grand Cayman KY1-1106  
Cayman Islands

## REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

Zouqu Village  
Zouqu Town  
Changzhou City  
Jiangsu  
PRC

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Suites 2911-12, 29th Floor  
Two International Finance Centre  
8 Finance Street  
Central  
Hong Kong

## COMPANY WEBSITE

<http://www.techprotd.com>

## STOCK CODE

3823

- Turnover for the six months ended 30 June 2007 amounted to approximately RMB132.5 million representing an increase of 54.0% over the corresponding period of 2006.
- Gross profit margin for the six months ended 30 June 2007 was approximately 29.8%, representing a slight increase compared with approximately 27.7% for the corresponding period of 2006.
- Profit attributable to equity holders for the six months ended 30 June 2007 increased by approximately 105.7% to approximately RMB27.2 million as compared to the corresponding period of 2006.

# Condensed Consolidated Income Statement

For the six months ended 30 June 2007

The board of directors (the “Directors”) of Tech Pro Technology Development Limited (the “Company”) and its subsidiaries (together, the “Group”) is pleased to announce the unaudited consolidated results of the Group for the six months ended 30 June 2007, together with the unaudited comparative figures for the corresponding period in 2006 as follows:

	Note	Six months ended 30 June	
		2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Turnover	4	132,456	86,020
Cost of sales		(92,944)	(62,167)
Gross profit		39,512	23,853
Other revenue and income	5	322	815
Distribution costs		(1,880)	(1,965)
Administrative expenses		(4,520)	(3,871)
Provision for impairment on trade receivables		(46)	—
Other operating expenses		(210)	(90)
Operating profit		33,178	18,742
Finance costs	6	(4,164)	(4,053)
Profit before income tax	7	29,014	14,689
Income tax expense	8	(1,814)	(1,467)
Profit for the period		27,200	13,222
Attributable to:			
Equity holders of the Company		27,200	13,222
Minority interests		—	—
		27,200	13,222
Earnings per share for profit attributable to the equity holders of the Company	9	N/A	N/A
Dividends	10	41,614	—

# Condensed Consolidated Balance Sheet

As at 30 June 2007

	Note	As at 30 June 2007 RMB'000 (unaudited)	As at 31 December 2006 RMB'000 (audited)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	73,003	64,570
Land use rights		2,028	2,051
Deposits for land use rights		320	29
<b>Total non-current assets</b>		<b>75,351</b>	<b>66,650</b>
<b>Current assets</b>			
Inventories		63,913	38,010
Trade and bills receivables	12	115,029	107,452
Other receivables		20,952	10,222
Amount due from a director	13	910	—
Amounts due from related parties	20(b)	—	2,704
Restricted bank deposits		30,340	10,910
Cash and cash equivalents		8,264	34,760
<b>Total current assets</b>		<b>239,408</b>	<b>204,058</b>
<b>Current liabilities</b>			
Trade and bills payables	14	86,722	55,775
Other payables		12,821	9,412
Amounts due to directors	13	194	503
Amounts due to related parties	20(b)	120	1,710
Dividend payable		—	576
Income taxes payable		1,386	2,802
Bank loans — due within one year	15	69,000	41,000
<b>Total current liabilities</b>		<b>170,243</b>	<b>111,778</b>
<b>Net current assets</b>		<b>69,165</b>	<b>92,280</b>
<b>Total assets less current liabilities</b>		<b>144,516</b>	<b>158,930</b>
<b>Non-current liabilities</b>			
Bank loans	15	60,000	60,000
<b>NET ASSETS</b>		<b>84,516</b>	<b>98,930</b>
<b>CAPITAL AND RESERVES</b>			
Paid-up capital	16	—	—
Reserves		84,516	98,930
Equity attributable to equity holders of the Company		84,516	98,930
Minority interests		—	—
<b>TOTAL EQUITY</b>		<b>84,516</b>	<b>98,930</b>

# Condensed Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company							Minority interests RMB'000	Total RMB'000
	Paid-up capital RMB'000	Capital reserve RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Sub-total RMB'000		
At 1 January 2007 <i>(audited)</i>	—	6,894	42,783	10,358	40	38,855	98,930	—	98,930
Profit for the period	—	—	—	—	—	27,200	27,200	—	27,200
Transfer	—	—	—	2,873	—	(2,873)	—	—	—
Dividends	—	—	—	—	—	(41,614)	(41,614)	—	(41,614)
At 30 June 2007 <i>(unaudited)</i>	—	6,894	42,783	13,231	40	21,568	84,516	—	84,516
At 1 January 2006 <i>(audited)</i>	32,353	137	—	4,431	40	20,355	57,316	17,187	74,503
Acquisition of 20% equity interest in Huaqiang Electronics before reorganization	10,430	6,757	—	—	—	—	17,187	(17,187)	—
Profit for the period	—	—	—	—	—	13,222	13,222	—	13,222
Transfer	—	—	—	1,392	—	(1,392)	—	—	—
At 30 June 2006 <i>(unaudited)</i>	42,783	6,894	—	5,823	40	32,185	87,725	—	87,725

**Notes:**

- (a) Capital reserve arising from the acquisition of additional equity interests in subsidiaries represents the difference between the consideration paid and the net carrying amount of the equity interest of the subsidiaries at the date of acquisition.
- (b) Special reserve represents the difference between the net assets of Ding Sheng Company Limited and its subsidiaries acquired by the Company and the nominal value of one nil-paid issued share of the Company through an exchange of shares.
- (c) The statutory reserve fund of the Group refers to the People's Republic of China ("PRC") statutory reserve fund. Appropriations to such reserve fund are made out of the profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate amount exceeded 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior year losses of the PRC subsidiaries.
- (d) Exchange reserve represents the translation differences arising from the use of actual and contracted exchange rates to translate the paid-in capital in foreign currencies.

# Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2007

	Six months ended 30 June	
	2007 <i>RMB'000</i> (unaudited)	2006 <i>RMB'000</i> (unaudited)
Net cash inflow from operating activities	24,215	13,127
Net cash (outflow)/inflow from investing activities	(12,822)	402
Net cash outflow from financing activities	(37,889)	(47,933)
Net decrease in cash and cash equivalents	(26,496)	(34,404)
Cash and cash equivalents at 1 January	34,760	45,991
Cash and cash equivalents at 30 June	8,264	11,587
Analysis of balances of cash and cash equivalents		
Cash and bank balances	8,264	11,587



# Notes to the Condensed Interim Financial Statements

## 1. GENERAL INFORMATION

The Company was incorporated in Cayman Islands on 20 November 2006 as an exempted company with limited liability under the Cayman Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

Pursuant to a group reorganisation (the "Reorganisation"), in preparation for the listing of the shares in the Company on the Main Board of The Stock Exchange of Hong Kong Limited, which was completed on 23 July 2007, the Company acquired all the equity interests of Changzhou Huawei Electronics Co., Ltd ("Huawei Electronics"), Changzhou Huaqiang Electronics Co., Ltd ("Huaqiang Electronics") and South Huawei Electronics (Shenzhen) Co., Ltd ("South Huawei") through share exchanges with Ding Sheng Company Limited. Details of the Reorganisation are set out in section 4 headed "Corporate Reorganisation" in Appendix V to the prospectus of the Company dated 24 August 2007 (the "Prospectus").

The Company issued 150,000,000 shares at HK\$1.3 per share by way of placing and public offer. The Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6 September 2007.

This condensed interim financial information was approved by the Directors for issue on 21 September 2007.

## 2. BASIS OF PREPARATION

This condensed interim financial statements for the six months ended 30 June 2007 has been prepared in accordance with Hong Kong Accounting Standards No. 34 "Interim financial reporting issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The interim financial statements should be read in conjunction with the accountants' report set out in Appendix I to the Prospectus.

Although the current group structure resulting from the Reorganisation, as referred in Note 1, did not legally exist until 23 July 2007, the Directors of the Company consider that it would provide meaningful information by treating the Group as if the group structure as at 23 July 2007 had been in existence from the beginning of the six months ended 30 June 2007. Accordingly, the condensed consolidated income statement, condensed consolidated cash flow statement and condensed consolidated statement of changes in equity of the Group for the six months ended 30 June 2007 have been presented as if the group structure resulting from the Reorganisation had been in existence through out the six months ended 30 June 2007, or since the respective dates of incorporation or date of acquisition of the subsidiaries, whichever is the shorter period. Major acquisitions and disposals of interest in subsidiaries during the six months ended 30 June 2007 have been accounted for from their respective dates of acquisition or up to their respective dates of disposal. Details of such are set out in the accountants' report in Appendix I to the Prospectus.

The condensed consolidated balance sheet of the Group as at 30 June 2007 has been prepared to present the assets and liabilities of the Group as if the group structure resulting from the Reorganisation had been in existence as at such date.

The comparative figures as at 31 December 2006 and for the six months ended 30 June 2006 are presented on the same basis.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed interim financial report (the “interim financial report”) has been reviewed by the Company’s audit committee and the Company’s auditor, CCIF CPA Limited, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA.

This interim financial report has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the HKICPA. This interim financial report should be read in conjunction with the accountants’ report set out in Appendix I to the Prospectus.

The accounting policies used in the preparation of this condensed interim financial statements are consistent with those used in the combined financial statements for the year ended 31 December 2006 and for the five months ended 31 May 2007, as described in the accountants’ report sets out in the Appendix I to the Prospectus.

The following new standards, amendments to standards and interpretations are relevant to the Group and are mandatory for financial year ending 31 December 2007:

HKAS 1 (Amendment)	Presentation of Financial Statements: Capital disclosures
HKAS 7	Financial Instruments: Disclosures
HK(IFRIC)-Int 8	Scope of HKFRS 2
HK(IFRIC)-Int 9	Reassessment of Embedded Derivatives
HK(IFRIC)-Int 10	Interim Financial Reporting and Impairment

The adoption of these new standards, amendments to standards and interpretations has no significant impact on the Group interim results and financial position.

The following new standard and interpretation, which are relevant to the Group, have been issued but are not effective for 2007 and have not been early adopted by the Group:

HKAS 8	Operating Segments (effective for annual periods beginning on or after 1 January 2009)
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transaction (effective for annual periods beginning on or after 1 March 2007)

The adoption of these new standard or interpretation will have no material impact on the financial statements of the Group and will not result in substantial changes to the Group’s accounting policies.

# Notes to the Condensed Interim Financial Statements

## 4. TURNOVER AND SEGMENT INFORMATION

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

Turnover consisted of:

	Six months ended 30 June	
	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Turnover		
Sale of goods	132,456	86,020

The Group is principally engaged in a single business segment, the manufacture and sale and trading of aluminium electrolytic capacitors and all of its operating assets are located in PRC. As a substantial proportion of the Group's turnover and operating profits are earned within the PRC, no analysis by business segment and geographical segments by location of customers are therefore provided.

## 5. OTHER REVENUE AND INCOME

	Six months ended 30 June	
	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Bank interest income	177	383
Interest income from Zouqu Finance Office (鄒區財政所)	—	432
Exchange gain, net	3	—
Sundry income	142	—
	322	815

## 6. FINANCE COSTS

	Six months ended 30 June	
	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Interest expenses on bank loans wholly repayable within five years	4,164	4,053

## Notes to the Condensed Interim Financial Statements

### 7. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging the following:

	Six months ended 30 June	
	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
Amortisation of land use rights	23	10
Cost of inventories	92,944	62,167
Depreciation	4,275	4,118
Exchange loss, net	—	61
Loss on disposal of property, plant and equipment	—	44
Operating lease rental expenses	568	447

### 8. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
PRC enterprise income tax		
Current period	1,814	1,467

No provision has been made for Hong Kong Profits Tax as the Group did not have assessable profits subject to Hong Kong Profits Tax for the six months ended 30 June 2006 and 2007.

Profits of the Group's subsidiaries in the PRC, namely Huawei Electronics, Huaqiang Electronics and South Huawei, are subject to PRC enterprise income tax.

Pursuant to the relevant law and regulations in the PRC, Huawei Electronics, Huaqiang Electronics and South Huawei were entitled to the exemptions from PRC Foreign Enterprise Income Tax ("FEIT") of 24%, 24% and 15% respectively, and the local EIT rate of 3% for two years starting from their first profit-making, followed by a 50% tax relief for the next three years. The first profit making year of Huawei Electronics was 2002 and Huawei Electronics was entitled to a 50% reduction from FEIT for each of the three years ended 31 December 2004, 2005 and 2006. The first profit making year for both Huaqiang Electronics and South Huawei was 2006.

# Notes to the Condensed Interim Financial Statements

## 8. INCOME TAX EXPENSE (Continued)

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of People's Republic of China (the "New CIT Law"). The New CIT Law introduces a wide range of changes, which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25% with effect from 1 January 2008. Since the detailed implementation and administrative rules and regulations have not yet been announced, the financial impact of the New CIT Law to the Group cannot be reasonably estimated at this stage.

## 9. EARNINGS PER SHARE

No earnings per share information is presented as its inclusion would be hypothetical due to the Reorganisation and presentation of the results on a combined basis as set out in note 1.

## 10. DIVIDENDS

The Directors did not recommend payment of any interim dividend for the six months ended 30 June 2007. No dividend had been paid or declared by the Company since its incorporation. The dividends declared by the subsidiaries to the then shareholders prior to the Reorganisation were approximately Nil and RMB41,614,000 for the six months ended 30 June 2006 and 2007.

## 11. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2007, the Group acquired property, plant and equipment with a cost of RMB12,708,000 (six months ended 30 June 2006: RMB654,000) and also disposed of property plant and equipment with aggregate net book values of Nil (six month ended 30 June 2006: RMB194,000)

## 12. TRADE AND BILLS RECEIVABLES

The Group normally offers credit terms to its customers ranging from 30 to 180 days.

	As at 30 June 2007 RMB'000 (unaudited)	As at 31 December 2006 RMB'000 (audited)
Trade receivables	111,097	87,808
Bills receivable	3,932	19,644
	<b>115,029</b>	<b>107,452</b>

## Notes to the Condensed Interim Financial Statements

### 12. TRADE AND BILLS RECEIVABLES (Continued)

Aging analysis of trade receivables at the respective balance sheet dates are as follows:

	As at 30 June 2007 RMB'000 (unaudited)	As at 31 December 2006 RMB'000 (audited)
0–30 days	24,909	29,900
31–90 days	39,321	25,599
91–180 days	36,250	18,874
181–365 days	6,126	6,204
Over 365 days	7,342	10,036
	<b>113,948</b>	90,613
Provision for impairment	<b>(2,851)</b>	(2,805)
	<b>111,097</b>	87,808

The carrying amounts of trade and bills receivables approximate their fair values.

### 13. AMOUNTS DUE FROM/(TO) DIRECTORS

	As at 30 June 2007 RMB'000 (unaudited)	As at 31 December 2006 RMB'000 (audited)
Amount due from a director YAN Qixu	910	—
Maximum receivable amount during the period	926	9,861
Amounts due to directors		
YAN Qixu	—	(218)
XIANG Xiaoqin	(72)	(285)
SHAN Biao	(49)	—
KUANG Lihua	(36)	—
LIU Xinsheng	(37)	—
	<b>(194)</b>	(503)

The balances were non-trade in nature, unsecured, interest-free and repayable on demand. The directors are of the opinion that the balances with the directors were determined at normal commercial terms. The amounts were fully settled prior to the listing of the Company's shares on the Stock Exchange.

# Notes to the Condensed Interim Financial Statements

## 14. TRADE AND BILLS PAYABLES

The credit terms granted by suppliers are generally for a period of 30 to 90 days, computing from the end of the month of the relevant purchase.

	As at 30 June 2007 <i>RMB'000</i> (unaudited)	As at 31 December 2006 <i>RMB'000</i> (audited)
Trade payables	67,982	43,665
Bills payable	18,740	12,110
	<b>86,722</b>	55,775
Aging analysis of trade payables at the respective balance sheet dates are as follows:		
0–30 days	19,139	20,909
31–90 days	35,152	16,560
91–365 days	12,216	4,867
Over 365 days	1,475	1,329
	<b>67,982</b>	43,665

The carrying amounts of trade and bills payables approximate their fair values.

## 15. BANK LOANS

	As at 30 June 2007 <i>RMB'000</i> (unaudited)	As at 31 December 2006 <i>RMB'000</i> (audited)
Current		
— Secured	—	6,000
— Unsecured	69,000	35,000
	<b>69,000</b>	41,000
Non-current		
— Secured	13,000	13,000
— Unsecured	47,000	47,000
	<b>60,000</b>	60,000
	<b>129,000</b>	101,000

All the bank loans are unsecured, except for an amount of RMB13,000,000 (31 December 2006: RMB19,000,000), which is secured on the Group's buildings, plant and equipment.

## Notes to the Condensed Interim Financial Statements

### 16. PAID-UP CAPITAL

The Company was incorporated in Cayman Islands on 20 November 2006 as an exempt company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The authorised share capital of the Company on incorporation was HK\$380,000 divided into 38,000,000 shares, of HK\$0.01 each. On 20 November 2006, one nil paid share was issued.

### 17. OPERATING LEASE COMMITMENTS

At the balance sheet dates, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	As at 30 June 2007 <i>RMB'000</i> (unaudited)	As at 31 December 2006 <i>RMB'000</i> (audited)
Within one year	1,354	1,214
In the second to fifth years inclusive	925	1,642
	<b>2,279</b>	<b>2,856</b>

### 18. PLEDGE OF ASSETS

At the balance sheet dates, the Group has pledged the following assets to secure the general banking facilities and bank borrowings granted to the Group.

	As at 30 June 2007 <i>RMB'000</i> (unaudited)	As at 31 December 2006 <i>RMB'000</i> (audited)
Buildings	4,816	6,209
Plant and machinery	—	14,741
Land use rights	807	817
	<b>5,623</b>	<b>21,767</b>



# Notes to the Condensed Interim Financial Statements

## 19. CAPITAL COMMITMENTS

	As at 30 June 2007 RMB'000 (unaudited)	As at 31 December 2006 RMB'000 (audited)
Contracted but not provided for	12,556	20,361
Authorised but not contracted for	78,902	83,901
	<b>91,458</b>	104,262

## 20. RELATED PARTY TRANSACTIONS

### (a) Transactions with related parties

The Group had the following significant transactions with its related parties:

	Note	Six months ended 30 June	
		2007 RMB'000 (unaudited)	2006 RMB'000 (unaudited)
<b>Continuing transaction</b>			
Rental expense:			
Changzhou Qihua Electronics Company Limited	(i)	—	96
Changzhou Huawei Reflective Material Company Limited	(ii)	120	—
		<b>120</b>	96

(i) Rental expenses paid to related company was based on prevailing market rates.

(ii) In the opinion of the directors, the above related party transactions were carried out on normal commercial terms in the ordinary course of business as agreed by the respective parties.

# Notes to the Condensed Interim Financial Statements

## 20. RELATED PARTY TRANSACTIONS (Continued)

### (b) Balances with related parties

	As at 30 June 2007 RMB'000 (unaudited)	As at 31 December 2006 RMB'000 (audited)
Amounts due from related parties		
Non-trade balances:		
Cash advances from related parties		
Hua R Sheng (HK) Company Limited	—	2,544
Changzhou Huawei Reflective Material Company Limited	—	160
	—	2,704

Cash advances to related parties are unsecured, interest free and have no fixed terms of repayment.

	As at 30 June 2007 RMB'000 (unaudited)	As at 31 December 2006 RMB'000 (audited)
Amounts due to related parties		
Trade balances:		
Changzhou Huawei Reflective Material Company Limited	120	—
Note (i)		
Non-trade balances:		
Cash advances from related parties		
Huawei Group Limited	—	1,710
Note (ii)		
	120	1,710

(i) The amount was unsecured, interest free and repayable on demand. The amount was fully settled before listing.

(ii) The amount was unsecured, interest-free and was fully repaid in March 2007.

# Notes to the Condensed Interim Financial Statements

## 20. RELATED PARTY TRANSACTIONS (Continued)

- (c) Guarantees given by related parties for bank borrowings and credit facilities at the respective balance sheet dates are as follows:

	As at 30 June 2007 <i>RMB'000</i> (unaudited)	As at 31 December 2006 <i>RMB'000</i> (audited)
Guarantees given by Changzhou Qihua Electronics Company Limited	—	10,000
Guarantees given by Changzhou Huawei Reflective Material Company Limited	—	58,000
	—	68,000

All the above guarantees were released in February 2007.

(d) **Pledge of assets**

As part of the Reorganisation, all issued share capital of Ding Sheng Company Limited, Tong Tai Company Limited and He Yue Company Limited were pledged to China Construction Bank Corporation to secure for the bank borrowings of Tong Heng Company Limited. The charges on the issued share capital on Ding Sheng Company Limited, Tong Tai Company Limited and He Yue Company Limited were released on 7 February 2007 as part of the Reorganization.

## 21. SUBSEQUENT EVENTS

The following events took place subsequent to 30 June 2007:

- (a) The Group underwent its Corporate Reorganisation to rationalise the Group's structure in the preparation of the Listing, the details of which are set out in Appendix V to the Prospectus of the Company dated 24 August 2007. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6 September 2007.
- (b) A share option scheme was conditionally approved by resolutions of the shareholders of the Company on 26 July 2007. Since the share option scheme has become effective upon the Company's listing, no share options were granted, exercised or cancelled by the Company under the share option scheme during the period under review and there are no outstanding share options under the share option scheme as at 30 June 2007.

**21. SUBSEQUENT EVENTS** (Continued)

- (c) On 2 February 2007, the Company entered into a call option deed (the "Original Call Option Deed") with China Construction Bank Corporation, Hong Kong Branch ("CCBCHK"), pursuant to which the Company agreed to grant an option to CCBCHK to subscribe for the shares in the Company on the terms and conditions contained therein. On 19 July 2007, Tong Heng Company Limited, the ultimate holding company, agreed to enter into a new call option deed to grant to CCBCHK an option to acquire from Tong Heng Company Limited the shares in the Company held by it, and the Company and CCBCHK agreed to terminate the Original Call Option Deed pursuant to a termination deed dated 19 July 2007.

**22. FINANCIAL INFORMATION OF THE COMPANY**

The Company was incorporated on 20 November 2006. As at 30 June 2007, the Company had no material assets, liabilities or distributable reserves at that date.

**23. ULTIMATE HOLDING COMPANY**

The directors regard Tong Heng Company Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Group after the completion of the Reorganisation as detailed in note 1.

# Independent Accountants' Review Report



**CCIF**

**CCIF CPA LIMITED**

20/F Sunning Plaza  
10 Hysan Avenue  
Causeway Bay Hong Kong

## To the board of

### **Tech Pro Technology Development Limited**

*(incorporated in Cayman Islands with limited liability)*

We have reviewed the condensed interim financial statements set out on pages 4 to 19, which comprise the condensed consolidated balance sheet of Tech Pro Technology Development Limited (the "Company") and its subsidiaries (together the "Group") as at 30 June 2007 and the related condensed consolidated income statement, condensed consolidated statement of changes in equity and condensed consolidated cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and fair presentation of this interim financial statements in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

## **CCIF CPA LIMITED**

*Certified Public Accountants*

Hong Kong, 21 September 2007

**Leung Chun Wa**

Practising Certificate Number P04963

## BUSINESS REVIEW

The Group's mission is to become one of the leading manufacturers of aluminium electrolytic capacitors in the Greater China Region. On 6 September 2007, shares of the Company were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company issued 150,000,000 shares at HK\$1.30 per share by way of placing and public offer (the "Share Offer") and raised an estimated net proceeds of HK\$166.5 million, which the Company intends to apply in accordance with the proposed allocation as stipulated in the prospectus of the Company.

During the six months ended 30 June 2007, the Group's turnover and gross profit surged by approximately 54.0% to approximately RMB132.5 million and approximately 65.6% to approximately RMB39.5 million respectively, as compared to the corresponding period last year. Profit attributable to the equity holders was approximately RMB27.2 million, which represented a growth of 105.7% compared to the corresponding period last year. This outstanding performance is attributable to the quality of the Group's products and the Group's marketing effort, which attracted an increasing number of customers, and the Group's effort in cost control.

The Group has continued to explore domestic and overseas markets, in particular to those well known brandnames in order to improve the quality of its client base. During the period, the Group has successfully developed business relationship with some reputable clients, thereby enhancing the brand awareness of the Group's products in the capacitor market.

The Group has been dedicated to the research and development of new products and it is the Group's intention to expand its product range to high end products, which require higher technological know how than that of the Group's existing products. During the period, the Group has been conducting research works of a lead wire type aluminium electrolytic capacitor that has low impedance under high frequency (引線式高頻低阻抗鋁電解電容器) and a solid aluminium electrolytic capacitor (固態鋁電解電容器) and has been conducting preliminary tests of a screw type aluminium electrolytic capacitor that can be used under high voltage (螺柱式高壓鋁電解電容器) and a lug type aluminium electrolytic capacitor that can be used in high-frequency power supply (焊針式高頻開關電源用鋁電解電容器).

At present, the Group had two production bases in Changzhou and Shenzhen, the PRC with an annual production capacity of approximately 4,200 million units of capacitors. The Group is in the process of constructing new production plants in Changzhou with a gross floor area of approximately 26,000 sq.m.. It is expected that the construction of the new production plants will be completed in the third quarter of 2007.

## BUSINESS OUTLOOK

The Directors consider that with the increasing worldwide demand of electronic products, in particular to the consumer electronic products, the demand of aluminium electrolytic capacitors is expected to continue its growth in the second half of 2007, which will create a favourable opportunity for the Group to expand its business. With the Group's successful listing on the Main Board of the Stock Exchange, the Group can utilize the net proceeds from the Share Offer to, among other things, increase its production capacity and enhance its capability in research and development.

# Management Discussion and Analysis

With the completion of the construction process of the new production plants in Changzhou in the third quarter of 2007 and the acquisition of new production facilities, the commercial production of the new plants is expected to commence in the last quarter of 2007. The production capacity of the Group is expected to increase by approximately 8 million units by the end of 2007 and finally to approximately 5,800 million units in the next two years.

As a result of the Group's effort in research and development, two new products, namely screw type aluminium electrolytic capacitor that can be used under high voltage (螺柱式高壓鋁電解電容器) and lug type aluminium electrolytic capacitor that can be used in high-frequency power supply (焊針式高頻開關電源用鋁電解電容器), are expected to be launched in the second half of 2007. The launch of such products will represent the Group's entrance to the area of high end products. The Directors believe that such move can increase the competitiveness of the Group with major overseas manufacturers.

In order to enhance its competitiveness, the Group plans to continue its dedication to research and development. Talented persons from famous universities in the PRC and developed countries such as Japan and Korea are planned to be employed to join the Group's research team. Post-doctorate research centre is planned to be set up to attract talented post-doctors and bring opportunities to the Group to carry out joint research work with universities.

As a further step to expand the Group's share of the overseas market, the Group will set up sales offices in overseas areas such as Turkey, Taiwan and Korea in the fourth quarter of 2007 in order to expand its customer base in these areas and provide better after-sales services to its customers. For the PRC market, the Group will continuously look for opportunity to develop new clients with well known brandnames in order to improve the quality of its client base.

With the successful listing of the Company which brings the Group with market awareness and funds for development, the Directors are optimistic about the business growth of the Group in the second half of 2007.

## FINANCIAL REVIEW

### Turnover

The turnover of the Group for the six months ended 30 June 2007 was approximately RMB132.5 million which represents a growth of 54.0% or approximately RMB46.4 million as compared with that in the corresponding period of 2006. The increase in turnover was mainly attributable to the increase in the number of customers of the Group as compared with that of the six months ended 30 June 2006 which purchased from the Group during the period as a result of the Group's marketing effort.

# Management Discussion and Analysis

The Group's turnover by products can be analysed as follows:

	For the six months ended 30 June			
	2006		2007	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Lead wire type	63,390	73.7	<b>115,078</b>	<b>86.9</b>
Lug type and screw type	16,409	19.1	<b>17,110</b>	<b>12.9</b>
V-chip type	6,221	7.2	<b>268</b>	<b>0.2</b>
<b>Total</b>	<b>86,020</b>	<b>100.0</b>	<b>132,456</b>	<b>100.0</b>

The sale of lead wire type capacitors showed an increase of approximately 81.5% from approximately RMB63.4 million in the first half of 2006 to approximately RMB115.1 million in the first half of 2007. The sale of lug type and screw type capacitors showed an increase of approximately 4.3% from approximately RMB16.4 million in the first half of 2006 to approximately RMB17.1 million in the first half of 2007. For V-chip type capacitors, the Group purchased from third parties and sold the products after further processing to its customers. The Group ceased such purchases in 2007 and the sale of such products in 2007 only represented the sale of stocks purchased in the previous year.

## Cost of sale

Cost of sales for the period ended 30 June 2007 was approximately RMB92.9 million, which increased by approximately 49.5% from approximately RMB62.2 million for the six months ended 30 June 2006. The increase was mainly attributable to the increase in sales.

## Gross profit margin

The Group's gross profit margin for the period ended 30 June 2007 was approximately 29.8%. There was a slight increase compared with approximately 27.7% for the period ended 30 June 2006 as a result of the increase in gross profit margin of lug type and screw type capacitors, which was resulted from the decrease in the unit cost of aluminium foil, the principal raw material for lug type and screw type capacitors.

## Other revenue and income

For the six months ended 30 June 2007, other revenue and income of the Group was approximately RMB0.3 million, which decreased by about 60.5% from approximately RMB0.8 million for the six months ended 30 June 2006. The decrease in other revenue and income was primarily due to the decrease in bank interest income as a result of the decrease in bank balances and nil interest income from Zouqu Finance Office (鄒區財政所) as a result of repayment of the relevant loan in April 2006.

## Distribution costs

For the six months ended 30 June 2007, distribution costs of the Group were approximately RMB1.9 million, which decreased by about 4.3% from approximately RMB2.0 million for the six months ended 30 June 2006. The decrease in distribution costs was primarily due to (i) the decrease in marketing and promotional expenses which was principally due to decrease in the number of overseas exhibitions participated; and (ii) the decrease in transportation and travelling expenses which was principally due to the reduction in the use of air transportation.



# Management Discussion and Analysis

## Administrative expenses

For the six months ended 30 June 2007, administrative expenses of the Group were approximately RMB4.5 million, which increased by about 16.8% from approximately RMB3.9 million for the six months ended 30 June 2006. The increase in administrative expenses was primarily due to (i) the increase in salaries and welfare which was principally due to the increase in directors' emoluments and staff salaries; and (ii) the increase in office expenses which was principally due to increase in the consumption of office utilities and the increase in the repair of office equipment.

## Other operating expenses

For the six months ended 30 June 2007, other operating expenses of the Group were approximately RMB0.2 million, which increased by about 133.3% from approximately RMB0.1 million for the six months ended 30 June 2006. The increase in other operating expenses in 2007 was primarily due to the increase in charitable donations.

## Finance costs

For the six months ended 30 June 2007, finance costs of the Group were approximately RMB4.2 million, which is similar to that of approximately RMB4.1 million for the six months ended 30 June 2006.

## DIVIDENDS

At the board meeting held on 21 September 2007, the Directors did not recommend payment of an interim dividend for the six months ended 30 June 2007.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2007, the Group had cash and cash equivalents of approximately RMB8.3 million (31 December 2006: RMB34.8 million) and total borrowings of approximately RMB129 million (31 December 2006: RMB101 million), of which RMB60 million constituted long-term bank borrowings and RMB69 million constituted short-term bank borrowings. All of the Group's bank borrowings were subject to fixed interest rates and were denominated in RMB.

As at 30 June 2007, the gearing ratio (calculated by dividing total borrowings by total assets) of the Group was 41.0% (31 December 2006: 37.3%). The increase in gearing ratio as at 30 June 2007 compared to that as at 31 December 2006 was attributable to the inception of bank borrowings of RMB28 million during the six months ended 30 June 2007.

As at 30 June 2007, the Group had current assets of approximately RMB239.4 million (31 December 2006: RMB204.1 million) and current liabilities of RMB170.2 million (31 December 2006: RMB111.8 million). The current ratio (which is calculated by dividing current assets by current liabilities) was 1.4 as at 30 June 2007, which showed a decrease compared with the current ratio of 1.8 as at 31 December 2006. Such decrease was due to the inception of short term bank loans of RMB28 million.

**FOREIGN EXCHANGE EXPOSURE**

The Group's sales were principally made in RMB, Hong Kong Dollars and US Dollars, with the majority of which denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group has not adopted formal hedging policies and no instruments have been applied for foreign currency hedging purposes during the period under review.

**CAPITAL EXPENDITURE**

During the period under review, the Group's total capital expenditure amounted to approximately RMB12.7 million, which was used in the construction of new production plants in Changzhou and acquisition of property, plant and equipment.

**CHARGE ON ASSETS**

As at 30 June 2007, the Group's buildings with an aggregate book value of approximately RMB4.8 million and land use rights with an aggregate book value of approximately RMB0.8 million were pledged to secure banking facilities granted to the Group.

**CONTINGENT LIABILITIES**

As at 30 June 2007, the Group had no contingent liabilities.

**EMPLOYEE INFORMATION**

As at 30 June 2007, the Group had 1,091 employees, the majority of whom stationed in the PRC. Total remuneration for the period amounted to RMB9.3 million. The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

## Further Information

### INTERESTS AND SHORT POSITIONS OF THE DIRECTORS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

The Company was listed on the Stock Exchange on 6 September 2007. No disclosure of interests or short positions of any directors and/or chief executives of the Company in any shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) were made to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO as of 30 June 2007.

As at 6 September 2007 (the “Listing Date”) upon the Company’s listing, the interests and short positions of the directors and/or chief executives of the Company in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which require notification pursuant to Divisions 7 and 8 of Part XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) were as follows:

#### 1. Interests and short position in the shares (the “Shares”) of the Company

Name of Director	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Mr. Yan Qixu (“Mr. Yan”)	Interest of controlled corporation (Note 2)	450,000,000 (L)	75%
	Interest of controlled corporation (Note 4)	30,000,000 (S)	5%
Ms. Xiang Xiaoqin (Ms. Xiang”)	Interest of controlled corporation (Note 3)	450,000,000 (L)	75%
	Interest of controlled corporation (Note 4)	30,000,000 (S)	5%

*Notes:*

- The letters “L” and “S” denote a long position and a short position in the Shares respectively.
- Mr. Yan is the beneficial owner of 69.69% of the issued shares in Tong Heng Company Limited (“Tong Heng”) and therefore Mr. Yan is deemed, or taken to be, interested in the 450,000,000 Shares which are beneficially owned by Tong Heng for the purposes of the SFO. Mr. Yan is also a director of Tong Heng. Mr. Yan and Ms. Xiang are spouse.
- Ms. Xiang is the beneficial owner of 30.31% of the issued shares in Tong Heng and therefore Ms. Xiang is deemed, or taken to be, interested in the 450,000,000 Shares which are beneficially owned by Tong Heng for the purposes of the SFO. Mr. Yan and Ms. Xiang are spouse.
- Tong Heng has entered into a call option deed dated 19 July 2007 with China Construction Bank Corporation, Hong Kong Branch (“CCBCHK”) pursuant to which Tong Heng agreed to grant a share option (the “Pre-IPO Share Option”) to CCBCHK. Pursuant to the Pre-IPO Share Option, Tong Heng will transfer the option shares (being the Shares held by Tong Heng which shall in aggregate be up to a maximum of 5% of the issued Shares of the Company on the Listing Date) to CCBCHK (or its nominee) if CCBCHK exercises the Pre-IPO Share Option. The Pre-IPO Share Option is exercisable from the period commencing immediately after the expiry of a 6-month period after the Listing Date and up to the last day of the 60th month after the Listing Date (both days inclusive) at a price equal to the price under the Share Offer, subject to adjustments.

## 2. Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of interest
Mr. Yan	Tong Heng	Beneficial owner	6,969 ordinary shares	69.69%
Ms. Xiang	Tong Heng	Beneficial owner	3,031 ordinary shares	30.31%

Save as disclosed above, as at the Listing Date, none of the directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

## SHARE OPTION SCHEME

A share option scheme (the "Share Option Scheme") was conditionally approved by resolutions of the shareholders of the Company on 26 July 2007. Since the Share Option Scheme has become effective upon the Company's listing, no share options were granted, exercised or cancelled by the Company under the Share Option Scheme during the period under review and there are no outstanding share options under the Share Option Scheme as at 30 June 2007.

On 2 February 2007, the Company entered into a call option deed (the "Original Call Option Deed") with CCBCHK, pursuant to which the Company agreed to grant an option to CCBCHK to subscribe for the option shares up to a maximum of 5% of the issued shares of the Company on the Listing Date exercisable from the period commencing immediately after the expiry of a 6-month period after the Listing Date and up to the last day of the 60th month after the Listing Date (both days inclusive) at a price equal to the price under the Share Offer, subject to adjustments. On 19 July 2007, Tong Heng Company Limited, the sole shareholder of the Company at that time, agreed to enter into a new call option deed to grant to CCBCHK an option to acquire from Tong Heng Company Limited the shares in the Company held by it, and the Company and CCBCHK agreed to terminate the Original Call Option Deed pursuant to a termination deed dated 19 July 2007.

## Further Information

### INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

The Company was listed on the Stock Exchange on 6 September 2007. No disclosure of interests or short positions in any shares or underlying shares of the Company were made to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as of 30 June 2007.

As at the Listing Date, so far as is known to the Directors and taking no account of any Shares which might be taken up under the Share Offer, the following persons (other than the directors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

#### 1. Long position in the Shares

Name of Shareholders	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Tong Heng	Beneficial owner	450,000,000	75%

#### 2. Interests and short positions in underlying Shares of equity derivatives of the Company

Name	Capacity	Description of equity derivatives	Number of underlying Shares
Tong Heng	Beneficial owner	share option (Note 2)	30,000,000 Shares (S)
CCBCHK	Beneficial owner	share option (Note 2)	30,000,000 Shares (L)

*Notes:*

- The letters "L" and "S" denote a long position and a short position in the Shares.
- Tong Heng has entered into a call option deed dated 19 July 2007 with CCBCHK pursuant to which Tong Heng agreed to grant the Pre-IPO Share Option to CCBCHK. Pursuant to the Pre-IPO Share Option, Tong Heng will transfer the option shares (being the Shares held by Tong Heng which shall in aggregate be up to a maximum of 5% of the issued Shares of the Company on the Listing Date) to CCBCHK (or its nominee) if CCBCHK exercises the Pre-IPO Share Option. The Pre-IPO Share Option is exercisable from the period commencing immediately after the expiry of a 6-month period after the Listing Date and up to the last day of the 60th month after the Listing Date (both days inclusive) at a price equal to the price under the Share Offer, subject to adjustments.

Save as disclosed above, and as at the Listing Date, the directors of the Company were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO,

or who has interest in 5% or more of the nominal value of any class of share capital, or options in respect of such capital, carrying rights to vote in all circumstances at general meetings of the Company or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred therein.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

The Shares were listed on the Stock Exchange on 6 September 2007 and accordingly neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2007.

## **MATERIAL ACQUISITIONS AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

During the six months ended 30 June 2007, save for the purposes of the Reorganization, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

## **CORPORATE GOVERNANCE**

Since the Company was only listed on the Stock Exchange on 6 September 2007, the Code on Corporate Governance Practices contained in Appendix 14 of the Listing Rules (the "Corporate Governance Code") was not applicable to the Company for the period under review.

However, none of the Directors is aware of any information that would reasonably indicate that the Company or any of its directors is not or was not, for any part of the period between the Listing Date and the date of this report in due compliance with the code provisions of the Corporate Governance Code.

## **CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors (the "Code"). The Company has made specific enquiry of all its directors regarding any non-compliance with the Code. All the Directors confirmed that they have fully complied with the required standard set out in the Code since the Company's listing.

## **AUDIT COMMITTEE**

The Company established an audit committee on 26 July 2007 with written terms of reference in compliance with the code provisions of the Corporate Governance Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group.

## Further Information

The audit committee has three members and comprises three independent non-executive Directors, namely, Mr. Xu Kangning, Mr. Wong Chun Hung and Ms. Lin Sufen. Mr. Wong Chun Hung has been appointed as the chairman of the audit committee.

The audit committee has reviewed and discussed with the Company's management regarding the Company's unaudited financial statements for the six months ended 30 June 2007 and this report.

### REMUNERATION COMMITTEE

The Group set up its remuneration committee on 26 July 2007 with written terms of reference in compliance with the code provisions of paragraph B1 of the Corporate Governance Code. 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 other senior management. Currently, the remuneration committee comprises Mr. Yan Qixu, an executive Director and two independent non-executive Directors, namely Mr. Wong Chun Hung and Ms. Lin Sufen.

By order of the Board

**Yan Qixu**  
*Chairman*

Hong Kong, 21 September 2007