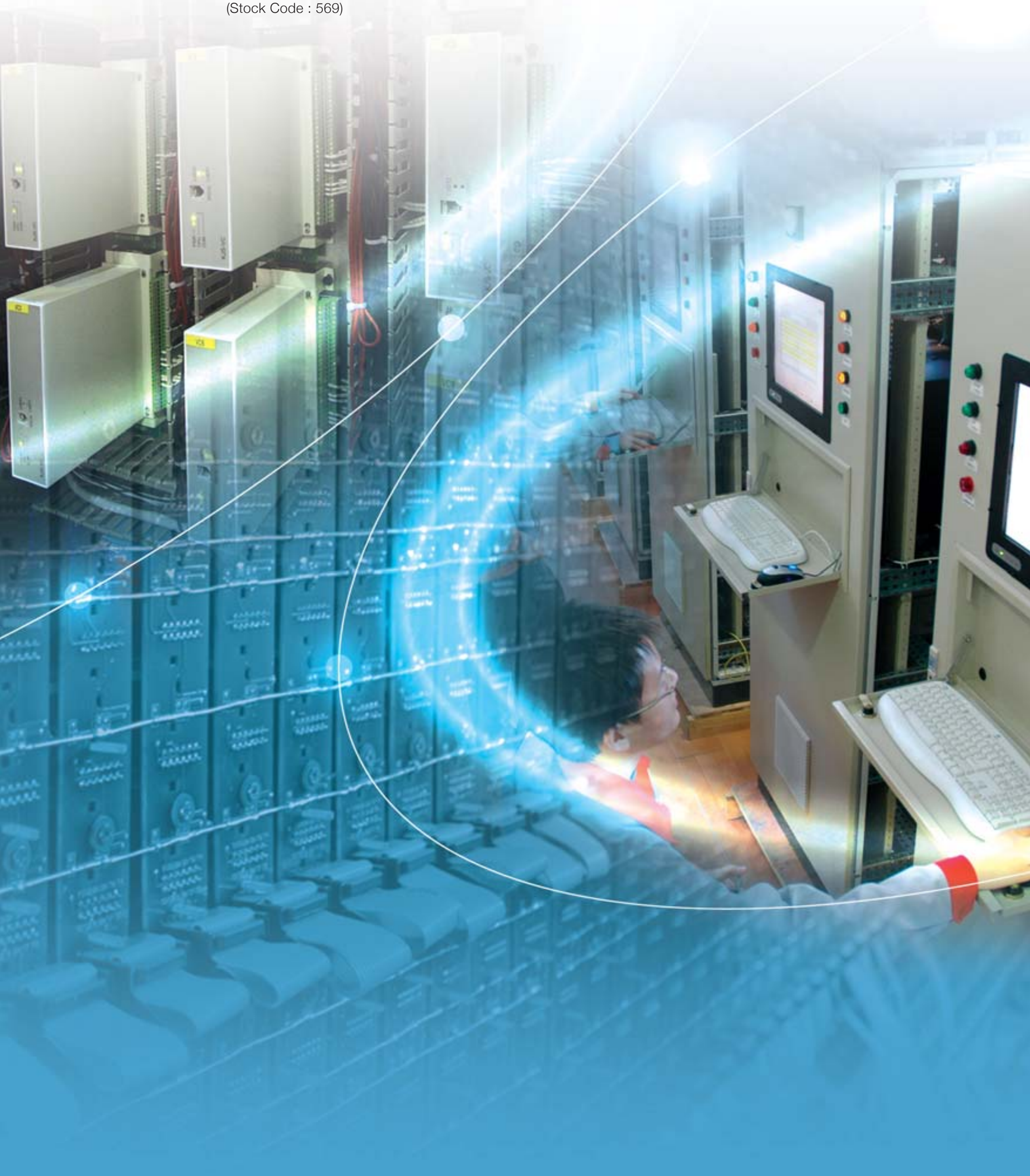
中國自動化集團有限公司
China Automation Group Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock Code : 569)



2007 Interim Report

CONTENTS

RESULT HIGHLIGHTS	2
CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)	3
CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)	4
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)	6
CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)	8
NOTES TO CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED)	9
MANAGEMENT DISCUSSION AND ANALYSIS	23
CORPORATE INFORMATION	43

RESULT HIGHLIGHTS

- The Group achieved revenue of RMB175.5 million for the six months ended 30 June 2007 which represents an increase of approximately 14.6% as compared with the corresponding period of previous year.

- Net profit attributable to equity holders increased by 26.2% to RMB48.2 million as compared with the corresponding period of previous year.

- Earnings per share of the Group were approximately RMB8.04 cents for the six months ended 30 June 2007.

- The board of directors of the Company does not recommend the payment of an interim dividend for the six months ended 30 June 2007.

The board of directors of the Company (the "Board") is pleased to announce the unaudited results of China Automation Group Limited and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2007 (the "period under review").

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

		Six months ended 30 June	
		2007	2006
	Notes	***RMB'000***	*RMB'000*
Turnover	3	**175,520**	153,054
Cost of sales		**(93,000)**	(86,654)
Gross profit		**82,520**	66,400
Other income	4	**1,012**	447
Selling & distribution costs		**(15,439)**	(12,991)
Administrative expenses		**(18,717)**	(10,616)
Operating profit	5	**49,376**	43,240
Change in fair value of derivative financial instruments		**—**	(170)
Finance costs		**(1,246)**	(1,400)
Profit before taxation		**48,130**	41,670
Income tax expense	6	**—**	(3,228)
Profit for the period		**48,130**	38,442
Attributable to:			
Equity holders of the Company		**48,214**	38,167
Minority Interests		**(84)**	275
		48,130	38,442
Dividend	7	**—**	55,588
Earnings per share basic (RMB cents)	8	**8.04**	6.36

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED)

	Notes	(Unaudited) At at 30 June 2007 RMB'000	(Audited) As at 31 December 2006 RMB'000
Non-current assets			
Property, plant and equipment		**10,793**	10,982
Prepaid lease payments		**18,091**	17,284
Bank deposits under conditions		**—**	798
Deposit for acquisition of leasehold land and buildings		**787**	787
Deferred tax assets		**308**	308
		29,979	30,159
Current assets			
Inventories	9	**40,227**	50,145
Trade and bills receivables	10	**120,552**	109,142
Other receivables and prepayments		**22,154**	6,834
Tax recoverable	11	**1,398**	—
Bank deposits under conditions		**3,514**	12,322
Bank balances and cash		**57,518**	76,205
		245,363	254,648

CONDENSED CONSOLIDATED BALANCE SHEET (UNAUDITED) *(Continued)*

	Notes	(Unaudited) At at 30 June 2007 RMB'000	(Audited) As at 31 December 2006 RMB'000
Current liabilities			
Trade and bills payables	12	**33,529**	33,749
Other payables, deposits received and accruals		**27,662**	21,432
Tax payable	11	**—**	13,429
Borrowings	13	**20,000**	54,322
Dividend payable		**—**	15,238
		81,191	138,170
Net current assets		**164,172**	116,478
Total assets less current liabilities		**194,151**	146,637
Equity			
Share capital	14	**555**	—
Reserves		**192,690**	145,647
Equity attributable to equity holders of the Company		**193,245**	145,647
Minority interests		**906**	990
Total equity		**194,151**	146,637

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED)

Six months ended 30 June 2007

	Attributable to equity holders of the company									
	Share capital	Share Premium	Other reserve	Statutory suplus reserve	Contribution from equity holders	Translation reserve	Accumulated profits	Total	Minority Interest	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As 1 January 2007	–	47,841	(17,816)	4,863	619	(2,549)	112,689	145,647	990	146,637
Exchange difference arising on translation of foreign operations and expense directly in equity	–	–	–	–	–	(616)	–	(616)	–	(616)
Profit for the period	–	–	–	–	–	–	48,214	48,214	(84)	48,130
Total recognized income and expense for the period	–	–	–	–	–	(616)	48,214	47,598	(84)	47,514
Dividend declared	–	–	–	–	–	–	–	–	–	–
Distribution made to equity holders of the company	–	–	–	–	–	–	–	–	–	–
Issue of shares on Reorganisation	555	–	(555)	–	–	–	–	–	–	–
As 30 June 2007	555	47,841	(18,371)	4,863	619	(3,165)	160,903	193,245	906	194,151

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UNAUDITED) *(Continued)*

Six months ended 30 June 2006

	Attributable to equity holders of the company									
	Share capital	Share Premium	Other reserve	Statutory surplus reserve	Contribution from equity holders	Translation reserve	Retained profits	Total	Minority Interest	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As 1 January 2006	–	–	11,650	4,863	619	(1,212)	99,806	115,726	599	116,325
Exchange difference arising on translation of foreign operations and expense directly in equity	–	–	–	–	–	(640)	–	(640)	–	(640)
Profit for the period	–	–	–	–	–	–	38,167	38,167	275	38,442
Total recognized income and expense for the period	–	–	–	–	–	(640)	38,167	37,527	275	37,802
Dividend declared	–	–	–	–	–	–	(55,588)	(55,588)		(55,588)
Distribution made to equity holders of the company	–	–	–	–	–	–	(29,466)	(29,466)	–	(29,466)
As 30 June 2006	–	–	11,650	4,863	619	(1,852)	52,919	68,199	874	69,073

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Net cash from operating activities	**31,640**	9,890
Net cash from (used in) investing activities		
Interest received	**241**	123
Purchases of property, plant and equipment	**(939)**	(1,978)
Payment of deposits for acquisition of leasehold land and building	**—**	(4,315)
Prepaid lease payment	**(9,059)**	—
Increase (decrease) in deposit under conditions with bank	**798**	(2,825)
Decrease (increase) in bank deposits with original maturity over three months	**14,316**	1,537
	5,357	(7,458)
Net cash (used in) financing activities		
New borrowings raised	**—**	34,390
Proceeds on issue of convertible notes	**—**	46,323
Repayments of borrowings	**(34,322)**	(31,079)
Dividend paid	**(15,238)**	(36,430)
Payments to equity holders upon reorganisation	**—**	(29,466)
	(49,560)	(16,262)
Net decrease in cash and cash equivalents	**(12,563)**	(13,830)
Cash and cash equivalents at beginning of the period	**70,697**	44,463
Effect of foreign exchange rate changes	**(616)**	(640)
	57,518	29,993
Represented by:		
Bank balances and cash	**57,518**	32,781
Less: Bank deposits with original maturity over three months	**—**	(2,788)
	57,518	29,993

NOTES TO CONDENSED CONSOLIDATED ACCOUNTS (UNAUDITED)

1. BASIS OF PREPARATION

The Company is a limited company incorporated in the Cayman Islands. The Company's registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman KY1-1111, Cayman Islands and its place of business in Hong Kong is located at Suite 2206, 22nd Floor, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong. The Company is an investment holding company, the shares of which have been listed on the Main Board of the Stock Exchange since 12 July 2007.

Pursuant to a group reorganisation (the "Group Reorganisation") to rationalise the group structure in preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Company became the ultimate holding company, as set out in "Corporate Reorganisation" in Appendix V to the prospectus issued by the Company, dated 28 June 2007 (the "Prospectus"). The Group resulting from the Group Reorganisation is regarded as a restructure of enterprises under common control. Accordingly, the unaudited condensed financial statements of the Group have been prepared on the basis as if the Company had always been the holding company of the Group.

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

2. ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared on the historical cost basis. The accounting policies adopted in the condensed consolidated financial statement are consistent with those followed in the preparation of the Accountants' Report as set out in Appendix I to the Prospectus.

The Group has not early applied the following new or revised standards or interpretations that have been issued but are not effective.

HKAS 23 (Revised)	Borrowing Costs[1]
HKFRS 8	Operating Segments[1]
HK(IFRIC) – Int 12	Service Concession Arrangements[2]

[1] Effective for annual periods beginning on or after 1 January 2009

[2] Effective for annual periods beginning on or after 1 January 2008

The directors of the Company anticipate that the application of these standards or interpretations will have no material impact on the results and the financial position of the Group.

3. TURNOVER AND SEGMENT INFORMATION

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
System sales	**146,887**	118,999
Provision of engineering and maintenance services	**19,812**	17,172
Trading of equipment	**8,821**	16,883
	175,520	153,054

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Segment information is presented primarily by business and secondarily by geographical locations of external customers.

Each segment represents a strategic business unit that offers products or services which are subject to risks and returns different from other segments. The Group's three principal segments are:

(a) system sales: system design, system integration and sales of safety and critical control systems for the petrochemical, oil and gas, railway industries and others;

(b) provision of engineering and maintenance services: provision of field maintenance, systems upgrade or redevelopment, system hardware diagnostic services, 24-hour emergency diagnostic services, spare parts and training services in respect of safety and critical control systems;

(c) trading of equipment: trading of train manufacturing equipment and instruments for petrochemical industries.

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment

Combined income statement

For the six months ended 30 June 2007 (Unaudited)

	System sales	Provision of engineering & maintenance services	Trading of equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**146,887**	**19,812**	**8,821**	**175,520**
Segment results	**49,671**	**15,545**	**1,865**	**67,081**
Unallocated other income				**1,012**
Unallocated corporate expenses				**(18,717)**
Finance costs				**(1,246)**
Profit before taxation				**48,130**
Income tax expense				**—**
Profit for the period				**48,130**

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Business segment *(Continued)*

Combined income statement

For the six months ended 30 June 2006

	System sales *RMB'000*	Provision of engineering & maintenance services *RMB'000*	Trading of equipment *RMB'000*	Total *RMB'000*
Revenue	118,999	17,172	16,883	153,054
Segment results	42,002	11,042	365	53,409
Unallocated other income				447
Unallocated corporate expenses				(10,616)
Change in fair value of derivative financial instrument				(170)
Finance costs				(1,400)
Profit before taxation				41,670
Income tax expense				(3,228)
Profit for the period				38,442

3. TURNOVER AND SEGMENT INFORMATION *(Continued)*

Geographical segment

The Group's operations are principally located in the PRC. The following tables present revenue information for the Group's geographical segments.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers irrespective of the origins of the goods/services.

For the six months ended 30 June 2007 (Unaudited)

	PRC	Other Asian countries	Total
	RMB'000	***RMB'000***	***RMB'000***
Revenue	**164,462**	**11,058**	**175,520**

For the six months ended 30 June 2006 (Unaudited)

	PRC	Other Asian countries	Total
	RMB'000	*RMB'000*	*RMB'000*
Revenue	141,677	11,377	153,054

4. OTHER INCOME

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Interest income	**241**	123
Foreign exchange gain	**771**	324
	1,012	447

5. OPERATING PROFIT

Operating profit is stated after charging the following:-

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Charging:-		
Depreciation of property, plant and equipment	**1,128**	986
Allowances for bad and doubtful debts	**—**	535
Staff costs	**9,862**	5,913
Operating lease rentals in respect of rented premises	**1,067**	609

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
PRC income tax for the period	**—**	3,228

No provision for Hong Kong Profits Tax has been made as the Group has no assessable profits arising in Hong Kong.

Pursuant to the approval document issued by State Tax Bureau dated 20 September 2006, Beijing Consen Automation Control Co., Ltd. ("Beijing Consen") is entitled to a tax rate of 24% and is exempted from PRC enterprise income tax for the two years ended 31 December 2006 and 2007 and a 50% reduction for the three years ended 31 December 2010 under the Enterprise Income Tax Law of the PRC for Enterprise with Foreign Investment and for Foreign Enterprise. Accordingly, no provision for income tax was made by Beijing Consen for the six months ended 30 June 2007.

6. INCOME TAX EXPENSE *(Continued)*

Pursuant to an approval document issued by the State Tax Bureau, Beijing Consen Transportation Technology Company Ltd. ("Beijing Transportation") is exempted from PRC income tax for two years starting from its first profit-making year, followed by a 50% reduction tax for the next three years. The reduced tax rate for the relief period is 7.5%. After the expiry of the tax relief period, Beijing Transportation is subject to an income tax rate of 15%, being the preferential tax rate applicable. The first profit-making year of Beijing Transportation is the year of 2004. Accordingly, Beijing Transportation was exempted from tax for 2004 and 2005 and was subject to 7.5% tax rate for the year ended 31 December 2006. For the six months ended 30 June 2007, no assessable profit was recorded for Beijing Transportation.

Tri-Control Automation Company Limited ("Tri-Control") is a limited company incorporated in Hong Kong. For the six months ended 30 June 2007, no assessable profit arising in Hong Kong was recorded for Tri-Control because of its offshore status. On 31 July 2006, Tri-Control established a wholly owned subsidiary namely Beijing Tri-Control Automation Co., Ltd. ("Beijing Tri-Control") as a permanent establishment and an operation arm in the PRC. Accordingly, no provision for income tax arising from the PRC was made by Tri-Control for the six months ended 30 June 2007.

Pursuant to an approval document issued by the State Tax Bureau on 14 February 2007, Beijing Tri-Control is entitled to a tax rate of 15% and is exempted from PRC enterprise income tax for the two years ended 31 December 2006 and 2007 followed by a 50% reduction for the three years ended 31 December 2008, 2009 and 2010 under the Enterprise Income Tax Law of the PRC for Enterprise with Foreign Investment and for Foreign Enterprise as well as is exempted from local income tax for the five years ended 31 December 2010 and followed by a 50% reduction for the five years ended 31 December 2015. The local income tax rate is 3%. Accordingly, no provision for income tax was made by Beijing Tri-Control for the six months ended 30 June 2007.

No provision for Singapore profits tax has been made as Consen Automation (Singapore) Pte. Ltd. had no assessable profit for the six months ended 30 June 2007.

6. INCOME TAX EXPENSE *(Continued)*

No provision for Beijing Sindhu Industrial Software Company Limited ("Beijing Software) profits tax has been made as Beijing Software had no assessable profit for the six months ended 30 June 2007.

7. DIVIDEND

	Six months ended 30 June	
	2007	2006
	RMB'000	*RMB'000*
Dividend		
Final dividend of 2005 declared by		
Tricon International Group Inc.	**—**	55,588

On 26 April 2006, the directors of Tricon International Group Inc. declared and approved the payments of dividends amounting to HK$54,000,000 (equivalent to approximately RMB55,588,000) to the shareholders whose names appeared on the register of Tricon International Group Inc. on 26 April 2006. The rates of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of this report.

8. EARNING PER SHARE

The calculation of the basic earnings per share for the periods based on the profit attributable to equity holder of the Company of HK$48,214,000 (1.1.2006 to 6.30.2006: HK$38,167,000) and on the number of shares of 600,000,000 (1.1.2006 to 6.30.2006: 600,000,000) ordinary shares deemed to be in issue. The calculations of basic earnings per share for the six months ended 30 June 2006 and 2007 were based on the Company's 600,000,000 shares deemed to be issued throughout the period assuming the Group Reorganisation had been effective and the capitalization of 600,000,000 shares had been existed on 1 January 2006.

Diluted earnings per share is not presented as there were no dilutive potential ordinary shares in existence during both periods.

9. INVENTORIES

	(Unaudited) At at 30 June 2007 RMB'000	(Audited) As at 31 December 2006 RMB'000
Raw materials	**33,108**	38,518
Work in progress	**5,117**	9,003
Finished goods	**2,002**	2,624
	40,227	50,145

Inventories are stated at cost at respective balance sheet dates.

10. TRADE AND BILLS RECEIVABLES

	(Unaudited) At at 30 June 2007 RMB'000	(Audited) As at 31 December 2006 RMB'000
Trade receivable	**118,177**	91,310
Less: Accumulated impairment	**(1,567)**	(1,567)
	116,610	89,743
Bills receivables	**3,942**	19,399
	120,552	109,142

10. TRADE AND BILLS RECEIVABLES *(Continued)*

The normal credit period granted to the Group's customer is 90 days, The following is an aged analysis of trade and bills receivable at the balance sheet dates:

	(Unaudited) **At at** **30 June** **2007** ***RMB'000***	(Audited) As at 31 December 2006 *RMB'000*
0-90 days	**103,347**	67,729
91-180 days	**2,544**	8,795
181-365 days	**6,729**	8,881
1-2 years	**3,202**	2,971
2-3 years	**788**	1,367
	116,610	89,743

The amounts of bills receivables are aged less than 1 year.

11. TAX RECOVERABLE AND PAYABLE

Pursuant to the approval document issued by State Tax Bureau dated 20 September 2006, Beijing Consen is entitled to a tax rate of 24% and is exempted from PRC enterprise income tax for two years ended 31 December 2006 and 2007 and 50% reduction for the three years ended 31 December 2010 under the Enterprise Income Tax Law of the PRC for Enterprise with Foreign Investment and for Foreign Enterprise. Accordingly, no provision for income tax was made by Beijing Consen for the six months ended 30 June 2007.

The tax recoverable was due to the fact that Beijing Consen had paid enterprise income tax related to the first half of 2006 and therefore entitle to refund of the relevant enterprise income tax. The relevant amount had been included in the tax payable as at 31 December 2006.

12. TRADE AND BILLS PAYABLES

An aged analysis of the Group's trade and bills payables at the respective balance sheet dates is as follows:

	(Unaudited)	(Audited)
	At at	As at
	30 June	31 December
	2007	2006
	RMB'000	*RMB'000*
0-90 days	**30,382**	28,478
91-180 days	**2,706**	4,833
181-365 days	**149**	218
1-2 years	**94**	220
2-3 years	**198**	—
	33,529	33,749

The directors considered that the carrying amounts of trade and bills payables as well as other payables, deposits received and accruals at each balance sheet date approximated their fair values.

13. BORROWINGS

As at 30 June 2007, bank borrowings of RMB20,000,000 were guaranteed by an independent third party. The bank borrowings were repayable within one year and bearing an interest rate of 6.1% per annum. Details of the securities provided by Mr. Xuan Rui Guo, Mr. Kuang Jian Ping and Mr. Huang Zhi Yong, being the directors of the Company, to the independent third parties for the guarantees provided are set out in note 16.

These guarantees provided by the directors and the independent third party had been released upon the listing of the Company's shares on The Stock Exchange of Hong Kong Limited on 12 July 2007.

14. SHARE CAPITAL

The Company

		Number of shares	Share capital
			HK$'000
Ordinary shares of HK$0.01 each			
Authorized:		3,000,000,000	30,000
Issued:			
Share allotted and issued nil paid on date of incorporation	(i)	1	—
Issue of Shares	(ii)	55,499,999	555
Balance as at 30 June 2007		55,500,000	555

(i) 1 share of HK$0.01 was issued nil paid to the subscriber on date of incorporation.

(ii) On 16 June 2007, Consen Group Holding Inc. ("Consen Group") and Equity Concept Investments Ltd. ("Equity Concept"), transferred all the issued share capital in Tricon International Group Inc. to the Company, in consideration for which the Company allotted and issued, credited as fully paid, 49,999,999 shares to Consen Group Holding Inc. and 5,500,000 shares to Equity Concept Investments Ltd. respectively and credited as fully paid at par the one all paid Share held by Consen Group Holding Inc.

15. COMMITMENTS

There was no capital commitment for the Group as at the respective balance sheet date.

16. RELATED PARTY TRANSACTIONS

The Group had the following non-trading transactions with related parties for the six months ended 30 June 2007.

Personal guarantees were provided by Mr. Xuan Rui Guo, Mr. Kuang Jian Ping and Mr. Huang Zhi Yong, being the directors of the Company, to the independent third party to obtain corporate guarantee from the third party for the bank borrowing (as mentioned in note 13) to the group amounted to RMB20,000,000 as at 30 June 2007. These guarantees were released upon the listing of the Group.

17. CONTINGENT LIABILITIES

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

18. POST BALANCE SHEET EVENTS

Subsequent to 30 June 2007, the Group has the following significant post balance sheet events:

(a) On 10 July 2007, the Company allotted and issued 544,500,000 ordinary shares HK$0.01 each as fully paid to the shareholders namely Consen Group and Equity Concept by the capitalization of an amount of HK$5,445,000 in the share premium account of the Company.

On the same date, the Company issued a total 200,000,000 ordinary shares of HK$0.01 each at the price of HK$1.53 per share by means of public offer and placing of new shares.

(b) On 30 July 2007, the Company issued additional 30,000,000 ordinary shares of HK$0.01 each at the price of HK$1.53 per share by means of full exercise of the over-allotment option under the placing as set out in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2007, revenue of the Group grew by 14.6% to approximately RMB175.5 million (first half of 2006: RMB153.1 million), as compared with the corresponding period of previous year.

The increase was mainly attributable to the 23.4% increase in the revenue from system sales and 15.3% increase in the revenue from the provision of engineering and maintenance services which increased by approximately RMB27.9 million and RMB2.6 million to RMB146.9 million and RMB19.8 million respectively for the six months ended 30 June 2007 when compared with the corresponding period of previous year. The increase in sales was partially offset by the decrease in trading of equipment which had decreased from RMB16.9 million to RMB8.8 million for the six months ended 30 June 2007 when compared with the corresponding period of previous year.

The increase in system sales was mainly attributable to the increase in revenue from Integrated Turbine and Compressor Control ("ITCC") and Emergency Shutdown Device ("ESD") & Fire and Gas Systems ("FGS"). These were resulted from (i) the sales and marketing department of the Group had held a number of "users' conference", "technology exchange conference" during the period and produced advertisement brochures to existing and potential customers; (ii) recognition from the market in respect of the Group's products and reputation resulting in extensive market coverage; and (iii) expanded applications of the technology.

The increase of revenue from engineering and maintenance services was mainly attributable to more overseas engineering services business as a result of the enhanced technology level as well as recognition from the customers in respect of the services rendered.

The decrease in trading of equipment was mainly due to less incidental orders from the customers during the six months ended 30 June 2007.

In terms of business segment, approximately 83.7% (first half of 2006: 77.8%) was generated from system sales, approximately 11.3% (first half of 2006: 11.2%) from the provision of engineering and maintenance services and approximately 5.0% (first half of 2006: 11.0%) was from trading of equipment for the six months ended 30 June 2007.

Gross profit

Gross profit for the six months ended 30 June 2007 was approximately RMB82.5 million, an increase of approximately RMB16.1 million or 24.3% over that of the corresponding period of previous year.

The gross profit margin also increased from 43.4% for the six months ended 30 June 2006 to 47.0% for the six months ended 30 June 2007 which was mainly due to (i) the increase in gross profit margin of engineering and maintenance services from 72.7% to 78.5% as more revenue generated from the engineering services which enjoys a higher gross margin; and (ii) the increase in gross profit margin of trading of equipment from 2.4% to 21.1% was mainly due to the booking of the higher gross profit margin contract in relation to the train manufacture equipment. The gross profit margin of system sales for the six months ended 30 June 2007 was at 44.8% which remained pretty in line with the corresponding period of previous year.

Other Income

For the six months ended 30 June 2007, other income increased by RMB0.6 million to RMB1.0 million mainly due to the increased foreign exchange gains resulted from the appreciation of Renminbi during the period under review.

Selling and distribution costs

Selling and distribution costs for the six months ended 30 June 2007 were approximately RMB15.4 million, which increased by approximately 18.8%, as compared with the corresponding period of previous year. Such increase was mainly attributable to the increase in staff costs as a result of the overall improved staff salaries and benefits as well as the increased staff level for further expanding the sales networks.

Administrative expenses

Administrative expenses for the six months ended 30 June 2007 were approximately RMB18.7 million, which increased by approximately 76.3% when compared with the corresponding period of previous year. Such increase was mainly attributable to the increase in listing expenses in preparation for the listing of the Group as well as the increase in staff costs. The increase in staff costs was attributable to overall improved staff salaries and benefits as well as the increased staff level.

Finance costs

Finance costs for the six months ended 30 June 2007 decreased from approximately RMB1.4 million to approximately RMB1.2 million. Such decrease was mainly attributable to lower level of bank borrowings for the period under review.

Income tax expenses

Income tax expenses decreased from approximately RMB3.2 million for the six months ended 30 June 2006 to zero for the six months ended 30 June 2007. Please refer to Note 6 to the Condensed Financial Statements for details.

Profit for the year

As a result of the foregoing, the Group recorded a profit attributable to equity holders of the Company of approximately RMB48.2 million for the six months ended 30 June 2007, an increase of approximately RMB10.0 million or 26.2% as when compared with the corresponding period of previous year. Net profit margin attributable to equity holders of the Company increased from approximately 25.0% for the six months ended 30 June 2006 to approximately 27.5% for the six months ended 30 June 2007.

Liquidity, Financial Resources and Capital Structure

The Group's liquidity position remains strong. The cash inflow from operating activities of the Group increased from approximately RMB9.9 million for the six months ended 30 June 2006 to approximately RMB30.9 million for the six months ended 30 June 2007. This was mainly attributable to the increase in profit before taxation of the Group from approximately RMB41.7 million for the six months ended 30 June 2006 to approximately RMB48.1 million for the six months ended 30 June 2007 as well as the increase in other payables, deposits received and accruals plus decrease in inventories during the period under review.

As at 30 June 2007, cash and bank balances amounted to approximately HK$57.5 million (31 December 2006: approximately HK$76.2 million). Working capital (net current assets) of the Group as at 30 June 2007 amounted to approximately HK$165.0 million (31 December 2006: approximately HK$116.5 million), an increase of 41.6% from previous year-end. Current ratio was at a healthy level of 3.0x (31 December 2006: 1.8x).

As at 30 June 2007, the total liabilities to shareholders equity decreased to 0.42x (31 December 2006: 0.94x). Total liabilities of the Group amounted to approximately HK$81.2 million (31 December 2006: approximately HK$138.2 million).

As at 30 June 2007, the Group remains at net cash position.

Management is comfortable that existing financial resources will be sufficient for future expansion plans. Should other opportunities arise requiring additional funding, management also believes that the Group is in a good position to obtain financing on favorable terms.

Bank Borrowings

Details of the Group's bank borrowings are set out in note 13 to the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2007 included in this report.

MARKET REVIEW

The chemical, oil and gas industry has been remaining at strong growth in 2007. The investment in the refinery, petrochemical industry, coal chemical industry and oil & gas field development has been keeping steady growth on top of the existing high levels. It seems that the austerity measures imposed by the PRC government has no influence on these industries because of the shortage of energy and the fast growing demand of chemical and petrochemical products.

Refinery plants invested by Sinopec and PetroChina with production capacities of several trillion tons are under construction. Part of the Group's income in the first half of 2007 was derived from the safety and critical control systems installed in major refinery projects of Sinopec and PetroChina.

The investment in mega size petrochemical plants keeps increasing this year. Ethylene plants and downstream process with 6 million tons aggregate production capacity have been approved by the State.

In the consideration of national energy safety, many large coal liquefaction and coal chemical plants are under construction. The fast growth of coal chemical industry characterizes the chemical and oil and gas market in the PRC.

The investment in ammonia plants and methanol plants increased fast due to the increase of market demand. This also provides new opportunity to the safety and critical control market which will in turn benefit the Group.

The competition in the market has no significant change. No new competitor significantly influences the market situation in the PRC. As the market leader, the Group is recognized as the strongest provider of safety and critical control systems in the PRC.

BUSINESS REVIEW

The Group is one of the leading safety and critical control system providers for the petrochemical, oil and gas and railway industries in the PRC. The Group was the largest safety and critical control system provider in the PRC in 2006 with a market share of approximately 68% in terms of revenue. The Group is principally engaged in the provision of safety and critical control systems and related engineering and maintenance services. Being the leader in the market, the Group is utilizing its expertise in safety and critical control market and endeavor to provide the total solution with the ITCC, ESD and FGS as well as Railway Interlocking System ("RIS") to the customers.

Large new construction projects dominate the market in the PRC today. The demand to the provider of safety and critical systems turns to the character of whole plant package, networking between the safety system and close communications with other automation systems. The market trend also required safety system providers to deliver maximum reliability and comprehensive after-sales service capability to the plants in order to ensure long-term smooth operation. As the market leader, the Group has accumulated sufficient experience and expertise in the provision of whole plant package delivery, while at the same time the Group will continue to expand its service network and give the customer maximum reliability assurance.

The following is a turnover analysis by business segments for the six months ended 30 June 2007 as compared with the corresponding period of previous year.

	Turnover analysis by business segments Six months ended 30 June		
	2007 *(RMB' million)*	**2006** *(RMB' million)*	**Change** *(%)*
System sales			
ITCC	95.1	62.6	+51.9
ESD & FGS	38.3	25.9	+47.9
RIS	13.5	30.5	-55.7
Sub-total	146.9	119.0	+23.9
Provision of engineering and maintenance services	19.8	17.2	+15.1
Trading of equipment	8.8	16.9	-47.9
Total	175.5	153.1	+14.6

ITCC

Following the increase of the market volume and market share, the gross margin of ITCC system has been increased in the first half of this year. It shows the Group's market leadership capability and the good potential of ITCC business. After years of sales and marketing efforts, the ITCC concept has been widely accepted as one of the important industrial standards. The application of ITCC systems has been extended very widely and generated a lot of development potentials in the market. On the other hand, the complexity of ITCC system design and requirement for system reliability have been maintaining an increasing trend, so that the volume of ITCC system has grown larger than before. All the above mentioned factors serve to push the fast growth of the ITCC system in the first half of this year. The management expects that the general trend of demand for ITCC will continue in the next half of the year and afterwards.

ESD and FGS

Following the construction of big refineries, petrochemical plants and coal chemical plants, the markets of ESD and FGS keep expanding in the first half of this year. The Group had been awarded most of the ESD system orders in the PRC and maintained the largest market share in this business segment. The slight decrease of the gross profit margin on ESD and FGS segment when compared with the corresponding period of previous year was mainly due to the change in sales mix while the higher gross profit margin product, namely FGS systems, decreased for the six months ended 30 June 2007. In general, the market situation remains unchanged.

RIS

The revenue of RIS decreased by 55.7% for the six months ended 30 June 2007 when compared with the corresponding period of previous year. Such decrease was mainly attributable to the slippages of the project schedule for different customers in this year. The management believes that the estimated revenue of RIS for the second half of this year would significantly rebound when compared with the corresponding period of the previous year such that the total revenue of RIS for the full year of 2007 would exceed that of the previous year.

Provision of engineering and maintenance services

The Group's engineers have extensive experience and expertise in the petrochemical, oil and gas and chemical industries. Owing to the technical competency and experience of the Group's engineers, the Group has from time to time been engaged by multi-national companies to provide engineering services in overseas locations such as Singapore and the Middle East. Currently, the Group is planning to expand its provision of engineering services to North America and the Middle East market. The management believes that establishment of the new overseas engineering operation would increase the revenue of the business segment of provision of engineering and maintenance services in the near future.

Trading of equipment

In view of the expanding railway transportation network in the PRC, the management believes that the demand for train manufacturing equipment would have a significant growth in the foreseeable future. In order to capture the business opportunities that may arise therein, the Group has commenced the business of trading in train manufacturing equipment since 2003. Following the successful cooperation with foreign vendors and the accumulation of excellent track record, the Group has built up reputation in this niche market. Although the revenue decreased for the six months ended 30 June 2007, the management believes that it would catch up in the second half of this year.

OPERATION AND MARKETING REVIEW

The Group has continuously been improving the functionality of its safety and critical control systems in order to fulfill the emerging needs and requirements of customers from time to time. In the first half of 2007, the Group built up a new training center and expanded new engineering workshop in order to meet the requirements of fast growing business demand and an upcoming larger projects of international standards in the second half of this year. The operation in the factory in Beijing Airport Exportation Processing Zone newly developed duty free logistics function and give the Group more flexibility in dealing with those contracts relating to exportation.

The Group provides quality after-sales services and maintains close relationships with its customers which help the Group to secure more business opportunities in system upgrade and maintenance service as well as obtaining more information on potential new projects.

In view of the increasing importance of quality technical services to petrochemical, oil and gas and railway industries in the PRC, the management believes that solution providers that can provide quality, timely, comprehensive and integrated total solutions would have a competitive advantage in the safety and critical control system market. The Group will keep pace with the ever-changing business environment and customer requirements in the relevant industries so as to maintain its leading market position in the future.

The Group has a strong marketing team principally responsible for organizing regular meetings and seminars so as to maintain good relationships with customers, understand customers' needs and to keep abreast of the latest market trends and developments.

FUTURE OUTLOOK

The management believes that the market of safety and critical control systems in the PRC would experience continuous growth due to the fast growth of national economy and investment incentive in refinery, petrochemical, coal chemical and other related industries. The Group, as the leader of the safety and critical control system provider, has the strength and in a good position to capture the market opportunities and expand its business successfully. In the second half of 2007, the management expects to build on the momentum of the first half of the year and continue to gain more market share in the safety and critical control system. Details of the Group's future plans are as follows:-

To enhance its engineering capability

With a view to maintain the Group's leading position in the safety and critical control system market in the petrochemical, oil and gas and chemical industries and to further develop its business, the Group intends to enhance its engineering capability through recruiting more system engineers to cope with the fast growing PRC and overseas markets.

To Invest in R&D

The Group's R&D investment continues to serve for its core business. The management expects to apply the latest technology in the application of safety and critical control systems. At the same time, due to the fast growth in the market of wireless technology and its application in industrial control systems, the Group is also investing resources to conduct R&D activities in this area and take the lead in the technology for the next generation.

To expand the production site

For the new complex to be built, it is the Group's intention to have a permanent establishment comprising production facilities, office premises and R&D centre. The new complex at Tianzhu Airport Industrial Zone, Beijing, the PRC is under design and construction works will commence early next year.

To expand the applications into other industries

The Group will expand the existing safety and critical control system applications in petrochemical, oil and gas market to other industries including iron and steel, power generation and nuclear plant. It allows room for the Group's further business growth and expansion.

To develop a series of new products

The Group is also developing a series of new products, including low end controllers and other relative products, to enlarge its product range and scope of supply to customers. The Group will release its simplex programmable controller for turbo-machinery application to fit for the requirement of low end machine application.

With the Group's experience and expertise in turbo-machinery control system, the Group understands the market demand in electrical-hydraulic control product and system which is the actuation parts of ITCC system. In order to provide a complete product line, the Group will develop a series of mechanical products through licensing, OEM or other type of cooperation with other companies.

To actively seek for merger and acquisition opportunities

The Group is actively looking for mergers and acquisitions opportunities with business of closely related products and technologies. The management would only contemplate the merger and acquisition opportunities of those companies having complimentary products in order to strengthen the core competency of the Group. The basic criteria would be those companies which have positive cash flow and profitable track record yet and could be acquired at a reasonable price. Discussions are currently in process with companies engaging in railway signaling and indus trial automation business.

To expand sales and marketing network in the PRC

The Group will also expand the sales and service network in the PRC to strengthen its market coverage in the industry for generating more sales orders and service income as well as seeking further business development opportunities.

To develop engineering service business in the international market

The Group will continue to develop the engineering service business in the international market through setting up subsidiaries and/or branches in North America and the Middle East. The Group's business model is to recruit sales and engineer teams locally, bid and secure service orders and provide project consultancy and management contracts, while utilizing the cost effective engineering resources in the PRC to process the orders and engineering jobs. The management believes that with the experience and expertise of the Group in the safety and critical control systems, the international engineering service business would offer great potential and thus boost the profititibity of the Group. The registration of the Group's North American subsidiary and recruitment of its management team is on-going and will be completed by the end of this year.

Conclusion

In a nutshell, the Group intends to further strengthen its market position in the PRC as the leading total solution provider in the safety and critical control system as well as comprehensive engineering and after-sales services. The management is confident that the Group would realize its expansion plan based on the achievements in the past few years. It is expected that the Group will benefit from the opportunities arising from its expansion into the applications to other industries including iron and steel, power generation and nuclear plant, which will ultimately be maximizing returns for its shareholders.

PUBLIC OFFERING

The Company successfully listed its shares on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 12 July 2007. The public offering was well-received by both retail and institutional investors. The retail tranche recorded an over-subscription rate of approximately 53 times and the placing tranche was very significantly over-subscribed. The listing has strengthened the Group's financial position, enlarged the shareholder base and enhanced the Group's brand recognition.

INTERIM DIVIDEND

For the six months ended 30 June 2007, the board of directors of the Company ("Directors") has resolved not to declare any interim dividend.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Company issued 200,000,000 shares at HK$1.53 per share by way of placing and public offer (as set out in details in the prospectus issued by the Company dated 28 June 2007 (the "Prospectus") on 12 July 2007 and 30,000,000 shares upon the exercise of the over-allotment option at HK$1.53 per share on 31 July 2007. The Company intends to apply the net proceeds of approximately HK$319.5 million in accordance with the proposed allocation as stipulated in the Prospectus.

FOREIGN CURRENCY EXPOSURES AND TREASURY POLICY

The Group is exposed to the exchange rate risk between United States dollars and Renminbi. In practice, majority of the Group's sales are denominated in Renminbi. However, the purchases of raw materials from its suppliers are mainly denominated in United States dollar. Given the appreciation of Renminbi against the United States dollar announced in July 2005, favorable impacts are expected to be brought to the Group's future financial performance in terms of reducing raw material costs. The Group's bank deposits are predominantly denominated in Hong Kong dollars and Renminbi. The Directors are of the opinion that appreciation of Renminbi would not cause any significant adverse effect on the financial position of the Group.

It is the Group's treasury policy to manage its foreign currency exposure whenever its financial impact is material to the Group. The Group will continue to monitor its foreign exchange position and, if necessary, will appropriately hedge its foreign currency exposure. For the six months ended 30 June 2007, the Company did not use any financial instruments or enter into any contracts in order to hedge against its foreign currency exchange risk.

HUMAN RESOURCES

As at 30 June 2007, the total number of employees of the Group were 249, representing a 19.7% growth over that of 208 as at 30 June 2006. The Group values its human resources and targets to attract and retain competent personnel. Remuneration packages are structured by reference to individual staff's qualifications and the prevailing market conditions. The Company currently provides sufficient trainings and continuing professional development opportunities to its staff.

DISCLOSURE OF INTERESTS

Directors' interests and short positions in shares, underlying shares and debentures

As at 30 June 2007, the Company had not received any notice of interests to be recorded under section 352 of the Securities and Futures Ordinance ("SFO") as the shares of the Company had not been listed on the Stock Exchange as at that date.

As at date of this report, immediately following completion of the Share Offer and the Capitalisation Issue (as defined in the prospectus) and after taking into account of shares of the Company (the "Shares") issued pursuant to the exercise of the Over-allotment Option (as defined in prospectus), the interests and short positions of the Directors and chief executives of the Company 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 have notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions), or which is required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or which is required pursuant to the Model Code for Securities Transactions by Directors of listed issuers in the Listing Rules, notified to the Company and the Stock Exchange as the Company's shares are listed on 12 July 2007, were as follows:

(i) Directors' interests in the Shares

	Number of Shares						
Name of Director	**Personal Interests**	**Family interests**	**Corporate interests**	**Other interests**	**Interest in underlying Shares pursuant to share options**	**Total**	**Approximate percentage of shareholding**
Mr. Xuan	—	—	540,540,541	—	—	540,540,541	65.13%

Note: Consen Group Holding Inc. ("Consen Group") is the legal and beneficial owner of 540,540,541 Shares. Consen Group is wholly-owned by Consen Investments Holding Inc. ("Consen Investments"), which is turn owned as to 50%, 25% and 25% by Mr. Xuan Rui Guo ("Mr. Xuan"), Mr. Huang Zhi Yong ("Mr. Huang") and Mr. Kuang Jian Ping ("Mr. Kuang") respectively. Accordingly, Mr. Xuan is deemed to be interested in the 540,540,541 Shares held by Consen Group by virtue of the SFO.

(ii) Directors' interests in the shares of associated corporations

		Number of shares					
Name of associated corporation	Name of Director	Personal interests	Family interests	Corporate interests	Interest in underlying Shares pursuant to share options	Total	Approximate percentage of shareholding
Consen	Mr. Xuan	500,000	—	—	—	500,000	50%
Investments *(Note)*	Mr. Huang	250,000	—	—	—	250,000	25%
	Mr. Kuang	250,000	—	—	—	250,000	25%
Consen Group *(Note)*	Mr. Xuan	5,000,000	—	—	—	5,000,000	100%

Note: Consen Investments is the legal and beneficial owner of 5,000,000 shares in Consen Group. Consen Investments is owned legally and beneficially owned as to 50%, 25% and 25% by Mr. Xuan, Mr. Kuang and Mr. Huang respectively. Accordingly, Mr. Xuan is deemed to be interested in the 5,000,000 shares in Consen Group.

Save as disclosed herein, so far as is known to any Directors or chief executive of the Company, none of the Directors or chief executive of the Company have any interests and short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions), or required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein, or required pursuant to the Model Code for Securities Transactions by Directors of listed issuers in the Listing Rules to be notified to the Company and the Stock Exchange following the Company's shares are listed on 12 July 2007.

Substantial Shareholders

As at 30 June 2007, the Company had not received any notice of interests to be recorded under section 336 of the SFO as the shares of the Company had not been listed on the Stock Exchange as at that date.

As at date of this report, so far as is known to the Directors, immediately after the completion of the Share Offer and the Capitalisation Issue the following persons/entities would have an interest or short position in the Shares and the underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or will be directly or indirectly interested in 10% or more of the voting power at any general meeting of any other member of the Group:

Name	Capacity	Number of Shares	Percentage of holding
Consen Group	Registered and beneficial owner	540,540,541	65.13%
Consen Investments *(Note 1)*	Interest in a controlled corporation	540,540,541	65.13%
Mr. Xuan *(Note 1)*	Interest in a controlled Corporation	540,540,541	65.13%
Equity Concept Investments Limited ("Equity Concept")	Registered and beneficial owner	59,459,459	7.16%
Mr. Wei *(Note 2)*	Interest in a controlled corporation	59,459,459	7.16%

Notes:

1. Consen Group is wholly-owned by Consen Investments which is in turn owned as to 50% by Mr. Xuan and therefore, Consen Investments and Mr. Xuan are deemed to be interested in such 540,540,541 Shares held by Consen Group under the SFO.

2. Equity Concept is wholly-owned by Mr. Wei Yuqian ("Mr. Wei") and Mr. Wei is therefore deemed to be interested in 59,459,459 Shares held by Equity Concept under the SFO.

So far as the Directors are aware, Consen Group had not pledged or charged any Shares with any party as at 30 June 2007. In addition, neither Mr. Xuan nor Consen Investments had pledged or charged any shares held by him/it in Consen Investments or, as the case may be, Consen Group with any party as at 30 June 2007.

REPURCHASE OR REDEMPTION OF THE COMPANY'S SHARES

The Company is empowered by the applicable Companies Law of the Cayman Islands and the Articles of the Association to repurchase its own shares subject to certain restrictions and the Board may only exercise this power on behalf of the Company subject to any applicable requirements imposed from time to time by the Stock Exchange. The Group did not repurchase or redeem any of the Company's shares during the six months ended 30 June 2007.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the "Scheme") on 16 June 2007. Unless otherwise cancelled or amended, the Scheme shall be valid and effective for a period of 10 years commencing on the date of adoption, after which period no further option shall be granted.

The purpose of the Scheme is to provide incentive and/or reward to Eligible Persons (as defined below) for their contribution to the Company and their continuing efforts to promote the Company's interests. Under the Scheme, the Board may in its absolute discretion select to make an offer to any directors of the Company or employees of the Group and any other person (including a consultant or advisor) who in the sole discretion of the Board has contributed or will contribute to the Group (the "Eligible Persons") to subscribe for options for such number of shares as the Board may determine at the price calculated in accordance with the higher of (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a business day; (ii) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share. For (i) and (ii) above, the date of grant shall be taken to be the date of the Board meeting at which the grant is proposed.

As at 30 June 2007, no option had been granted or agreed to be granted to any person under the Scheme.

COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE PRACTICES AND THE MODEL CODE

Since the Company was only listed on the Stock Exchange on 12 July 2007 (the "Listing Date"), the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules was not applicable to the Company for the period under review.

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for securities transactions by Directors. Having made specific enquiry of all Directors, all Directors have complied with the required standard set out in the Model Code regarding securities transactions by Directors since the Listing Date.

MATERIAL LITIGATION AND ARBITRATION

The Group was not involved in any material litigation and arbitration during the six months ended 30 June 2007.

AUDIT COMMITTEE

The Company established an audit committee on 16 June 2007 with written terms of reference in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee are to review the financial reporting process and internal control system of the Group.

The audit committee comprises of three members, all of whom are independent non-executive Directors, being Mr. Ng Wing Fai ("Mr. Ng"), Mr. Tang Min ("Mr. Tang") and Mr. Han Ben Yi ("Mr. Han"). The audit committee is chaired by Mr. Ng.

The Group's unaudited condensed consolidated financial statements and the related disclosure for the six months ended 30 June 2007 have been reviewed and approved by the audit committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 16 June 2007 with written terms of references in compliance with the Code on Corporate Governance Practices 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 comprises of five members, three of whom are independent non-executive Directors, namely Mr. Han, Mr. Tang and Mr. Ng, and the other two of whom are executive Directors, namely Mr. Xuan and Mr. Huang. The remuneration committee is chaired by Mr. Han.

NOMINATION COMMITTEE

The Company established a nomination committee on 16 June 2007 with written terms of references in compliance with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to review the composition of the Board and make recommendations to the Board on the selection of individuals nominated for directorship.

The nomination committee comprises of five members, three of whom are independent non-executive Directors, being Mr. Tang, Mr. Ng and Mr. Han, and the other two of whom are executive Directors, namely Mr. Xuan and Mr. Kuang. The nomination committee is chaired by Mr. Tang.

COMPLIANCE ADVISER'S INTEREST

Pursuant to the compliance adviser agreement dated 27 June 2007 entered into between the Company and First Shanghai Capital Limited ("First Shanghai"), First Shanghai has been appointed as the compliance adviser as required under the Listing Rules for the period from 12 July 2007 to the date on which the Company complies with Rule 13.46 of the Listing Rules in respect of the Company's financial results for the year ending 31 December 2008. First Shanghai is paid for acting as the Company's compliance adviser. As at the date of this report, as notified by First Shanghai, save as disclosed above, neither First Shanghai nor its respective directors, employees or associates (as defined in the Listing Rules) had any interest in the shares of the Company, or had any options or rights to subscribe for or to nominate persons to subscribe for the shares of the Company as at 30 June 2007.

CORPORATE INFORMATION

DIRECTORS

Executive Directors:

Mr. Xuan Rui Guo *(Chairman)*
Mr. Huang Zhi Yong
Mr. Kuang Jian Ping

Independent Non-executive Directors:

Mr. Tang Min
Mr. Han Ben Yi
Mr. Ng Wing Fai

AUTHORIZED REPRESENTATIVES

Mr. Xuan Rui Guo
Mr. Chow Chiu Chi

AUDIT COMMITTEE

Mr. Ng Wing Fai *(Chairman)*
Mr. Tang Min
Mr. Han Ben Yi

REMUNERATION COMMITTEE

Mr. Han Ben Yi *(Chairman)*
Mr. Tang Min
Mr. Ng Wing Fai
Mr. Xuan Rui Guo
Mr. Huang Zhi Yong

NOMINATION COMMITTEE

Mr. Tang Min *(Chairman)*
Mr. Han Ben Yi
Mr. Ng Wing Fai
Mr. Xuan Rui Guo
Mr. Kuang Jian Ping

SENIOR MANAGEMENT

Mr. Yang Hong Yan
Mr. Cui Da Chao
Mr. Duan Min
Mr. Zhang Bao Li
Mr. Ji Jun
Mr. Zhou Zheng Qiang

STOCK CODE

Hong Kong Stock Exchange 569

COMPANY SECRETARY AND QUALIFIED ACCOUNTANT

Mr. Chow Chiu Chi, FCPA, ACMA

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Beijing
PRC

HONG KONG SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services Limited
Level 28, Three Pacific Place,
1, Queen's Road East,
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited
Industrial and Commercial Bank of China (Asia) Limited
Shenzhen Development Bank Corporation Limited

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants

LEGAL ADVISERS

As to Hong Kong law
Woo, Kwan, Lee & Lo
As to Cayman Islands law
Conyers Dill & Pearman
As to PRC law
Commerce & Finance Law Offices

COMPLIANCE ADVISER

First Shangai Capital Limited