



Unaudited Half Year Financial Statement and Dividend Announcement for the Year Ended 30 June 2008

PART 1 INFORMATION REQUIRED FOR HALF YEAR ANNOUNCEMENT

1(a)(i) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 2008 Jan to Jun RMB'000	Group 2007 Jan to Jun RMB'000	Increase/ (Decrease) %
Revenue	76,357	44,174	73
Cost of sales	(49,162)	(28,297)	74
Gross Profit	27,195	15,877	71
Other operating income	261	33	691
Selling and distribution expenses	(9,100)	(7,353)	24
Research and development expenses	(4,932)	(1,919)	157
Administrative expenses	(4,381)	(3,756)	17
Other operating expenses	(1,588)	(18)	8,722
Profit from operations	7,455	2,864	160
Finance cost	(838)	(337)	149
Share of result from associate company	700	-	NM
Profit before income tax	7,317	2,527	190
Income tax	(1,141)	(156)	631
Profit after income tax	6,176	2,371	160

NM: not meaningful

1(a)(ii) The following items have been included in arriving at profit from operations:-

	Group 2008 Jan to Jun RMB'000	Group 2007 Jan to Jun RMB'000	Increase/ (Decrease) %
<u>After charging:</u>			
Staff cost	7,608	5,830	30
Research and development expensed off	4,293	1,449	196
Allowance for doubtful trade receivables	819	425	93
Provision for obsolete stocks	514	-	NM
Depreciation of property, plant and equipment	966	870	11
Amortization of intangible assets	658	513	28
Provision for warranty	99	-	NM
Operating lease expenses	706	678	4

NM: not meaningful

1(b)(i) A balance sheet (for the company and the group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group 30.06.2008 RMB'000	Group 31.12.2007 RMB'000	Company 30.06.2008 RMB'000	Company 31.12.2007 RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	26,647	26,916	-	-
Intangible assets	4,997	4,868	-	-
Investment in associate	19,699	18,999	-	-
Investment in subsidiary	-	-	13,729	13,729
	51,343	50,783	13,729	13,729
Current Assets				
Inventories	32,289	24,492	-	-
Trade receivables	53,065	36,122	-	-
Other receivables, deposits and prepayments	4,806	2,750	-	5
Due from associated company	86	-	-	-
Due from subsidiary	-	-	-	745
Cash and bank balances	6,069	10,474	194	51
	96,315	73,838	194	801
Less:				
Current Liabilities				
Trade and other payables	49,389	46,920	393	770
Provision for warranty	484	385	-	-
Due to associated company	95	-	-	-
Due to a director	-	1,095	-	-
Bank borrowing	25,000	10,000	-	-
Income tax payable	767	476	-	-
	75,735	58,876	393	770
Net Current Assets	20,580	14,962	(199)	31
Net Assets	71,923	65,745	13,530	13,760
Capital and reserves				
Share capital	16,869	16,869	16,869	16,869
Statutory reserves	6,670	6,670	-	-
Foreign currency translation reserve	59	57	59	57
Accumulated profit/(loss)	48,325	42,149	(3,398)	(3,166)
	71,923	65,745	13,530	13,760

1(b)(ii) Aggregate amount of group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30 June 2008		As at 31 December 2007	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
25,000	-	10,000	-

The bank loan is pledged by land use right and attached building.

Amount repayable after one year

As at 30 June 2008		As at 31 December 2007	
RMB'000		RMB'000	
Secured	Unsecured	Secured	Unsecured
-	-	-	-

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group 2008 Jan to June RMB'000	Group 2007 Jan to June RMB'000
Operating activities		
Profit before income tax	7,317	2,527
Adjustments for:-		
Allowance for doubtful trade receivables	819	425
Provision for obsolete stocks	514	-
Amortisation of intangible assets	658	513
Currency translation	2	(23)
Depreciation of property, plant and equipment	965	870
[Written-back of provision]/Provision for warranty	99	-
Loss on disposal of property, plant and equipment	142	-
Share of result of associate	(700)	-
Interest income	(44)	(40)
Interest expense	838	393
Operating profits before working capital changes	10,610	4,665
Working capital changes:-		
[Increase]/Decrease in inventories	(8,310)	(3,390)
[Increase]/Decrease in trade and other receivables, deposits and prepayments	(19,905)	(9,482)
Increase/[Decrease] in trade, other payables and accruals	1470	(2,480)
Cash generated from operations	(16,135)	(10,687)
Interest received	44	40
Interest paid	(838)	(393)
Income tax paid	(850)	(310)
Net cash from operating activities	(17,779)	(11,350)
Cash flows from investing activities		
Purchase of property, plant and equipment	(838)	(894)
Purchase of intangible assets	(788)	(1,427)
Net cash flows used in investing activities	(1,626)	(2,321)
Cash flows from financing activities		
Distribution of dividend	-	(923)
Bank borrowing	25,000	20,000
Repayment of bank borrowing	(10,000)	(10,000)
Net cash (used in)/ generated from financing activities	15,000	9,077
Net (decrease)/increase in cash and bank balances	(4,405)	(4,594)
Cash and bank balances at beginning of financial period	10,474	23,496
Cash and bank balances at end of financial period	6,069	18,902

1(d)(i) A statement (for the company and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalization issues and distributions to shareholders, together with comparative statement for the corresponding period of the immediately preceding financial year.

Group

	Share capital RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Accumulated Profits RMB'000	Total RMB'000
Balance as at 1 January 2008	16,869	6,670	57	42,149	65,745
Net profit for the financial period	-	-	-	6,176	6,176
Appropriation of reserves	-	-	-	-	-
Currency translation differences	-	-	2	-	2
Balance as at 30 June 2008	16,869	6,670	59	48,325	71,923

	Share capital RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Accumulated Profits RMB'000	Total RMB'000
Balance as at 1 January 2007	16,869	4,816	83	27,996	49,764
Net profit for the financial period	-	-	-	16,925	16,925
Appropriation of reserves	-	1,854	-	(1,854)	-
Currency translation differences	-	-	(26)	-	(26)
Distribution of dividend	-	-	-	(918)	(918)
Balance as at 31 December 2007	16,869	6,670	57	42,149	65,745

Company

	Share capital	Statutory reserve	Translation reserve	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2008	16,869	-	57	(3,166)	13,760
Net profit for the financial period	-	-	-	(232)	(232)
Currency translation differences	-	-	2	-	2
Balance as at 30 June 2008	<u>16,869</u>	<u>-</u>	<u>59</u>	<u>(3,398)</u>	<u>13,530</u>

	Share capital	Statutory reserve	Translation reserve	Accumulated Profits	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance as at 1 January 2007	16,869	-	83	(1,478)	15,474
Loss for the year	-	-	-	(770)	(770)
Currency translation differences	-	-	(26)	-	(26)
Distribution of dividend	-	-	-	(918)	(918)
Balance as at 31 December 2007	<u>16,869</u>	<u>-</u>	<u>57</u>	<u>(3,166)</u>	<u>13,760</u>

1(d)(ii) Details of any changes in the company's share capital arising from right issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's number of shares since 31 December 2007. The share capital of the Company as at 30 June 2008 was 61,002,000 ordinary shares.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of current financial period and as at the end of the immediately preceding year.

	Group	Group	Company	Company
	30.06.2008	31.12.2007	30.06.2008	31.12.2007
Number of issued shares ('000)	61,002	61,002	61,002	61,002

1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury share as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been reviewed or audited by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

The same accounting policies and methods of computation adopted in the most recently audited financial statements for the financial year ended 31 December 2007 have been applied in the preparation of the financial statements for the period ended 30 June 2008 except that the Group has adopted new/revised Financial Reporting Standards ("FRS") which came into effect on 1 January 2008. Please refer to item 5 below.

5. **If there are any changes in the accounting policies and methods of computation, Including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

There was no material impact to the financial statements of the Group arising from the adoption of the new /revised FRS which came into effect on 1 January 2008.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group 30.06.2008 RMB	Group 30.06.2007 RMB
Basic earnings per share (cents)	10.12	3.89
Fully diluted earnings per share (cents)	10.12	3.89

Explanatory notes:

- The calculation of EPS is based on net profits attributable to shareholders and share capital of 61,002,000 shares

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the**

- (a) **Current financial period reported on; and**
(b) **Immediately preceding financial year.**

	Group 30.06.2008	Group 31.12.2007	Company 30.06.2008	Company 31.12.2007
Net asset value per share (RMB)	1.18	1.08	0.22	0.23

Net assets value per share was calculated based on shareholders' equity of our Group/Company as at 30 June 2008 and 31 December 2007 and share capital of 61,002,000 shares.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, cost, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Overview

YAAN is a leading technology-based company which designs, manufactures and markets high quality CCTV security and surveillance products and accessories for a wide variety of applications in the commercial, industrial and government markets, domestically as well as internationally.

Revenue

Group revenue increased by approximately RMB32.2 million or 73% from RMB44.2 million in the first HY2007 to RMB76.4 million in the first HY2008. Revenue improved significantly as a result of increased demand amongst both new and existing customers for security and surveillance products within various industries and organizations in China as well as the increase in government-initiated programs to install security systems in China. The first half year revenue results benefited from the introduction of our new proprietary products.

Gross Profit

In line with the higher revenue, the group's gross profit in the first HY2008 increased by 71% or approximately 11.3 million to 27.2 million. The gross profit margin remained at 35.6% of revenue, compared to 35.9% of revenue in the first HY2007. This was due mainly to higher gross profit margin from our new proprietary products offsetting relative lower gross profit margin from our high speed dome cameras although the revenue of high speed dome cameras was marginally higher in the first HY2007.

Profit before taxation

Profit before taxation amounted to approximately RMB7.3 million in the first HY2008, which was an increase of 190% compared to the profit before taxation of RMB2.5 million in the first HFY2007. This growth was mainly due to the increase in sales, our cost efficiency as well as share of results from associated company.

We managed to keep our operating costs under control. Selling and Distribution expenses increased by approximately RMB1.7 million or 24% from approximately

RMB7.4 million in the first HY2007 to approximately RMB9.1 million in the first HY2008. However as a percentage of revenue, it declined from 17% to 12%. The increase in selling and distribution expenses was mainly due to the enlarged business, including cost associated with new products launched and the increase in the volume of sales.

Research and development expenses were approximately 4.9 million, or 6% of revenue, in the first HY2008 compared to approximately 1.9 million, or 4% of revenue, in the first HY2007. The increase in research and development expenses reflected the group's strategy to attach great importance to research and development activities for future growth.

Administrative expenses increased by approximately RMB0.6 million or 17% from approximately RMB3.8 million in the first HY2007 to approximately RMB4.4 million in the first HY2008. However as a percentage of revenue, it declined from 9% to 6%. The net increase in administrative expenses was mainly due to increased staff cost.

Other operating income increased by approximately RMB0.23 million from approximately RMB0.03 million in the first HY2007 to approximately RMB0.26 million in the first HY 2008. This was mainly due to government subsidy we obtained. The other operating expense increased by approximately RMB1.6 million in the first HY2008. This was mainly due to higher provision for obsolete stocks and doubtful bad debts.

The finance cost increased by approximately RMB0.5 million to approximately RMB0.8 million. This was mainly due to increased average bank borrowing which were in line with the higher revenue generated.

The share of results from its associate amounting to RMB0.7 million in the first HY2008 was share of profit derived from Shenzhen Launch Xinchuang Technology Co., Ltd which the group acquired in the second half year of 2007.

The corporate income tax increased by approximately RMB1.0 million to RMB1.14 million in the first HY 2008. This was mainly due to the taxable profit of our wholly-owned subsidiary.

REVIEW OF FINANCIAL POSITION

Non-Current Assets

Our non-current assets were approximately RMB51.3 million, or 35% of total assets, as at 30 June 2008, compared to RMB50.8 million, or 41% of total assets, as at 31 December 2007. There was no material change in our non-current assets.

Current Assets

As at 30 June 2008 and 31 December 2007, our current assets stood at approximately RMB96.3 million and RMB73.8 million, respectively.

The group's cash position as at 30 June 2008 was approximately RMB6.1million, down from approximately RMB10.5 million as at 31 December 2007. This was due to increased working capital needs as we take on more government-initiated projects which involved longer collection periods.

The inventories also increased by approximately RMB 7.8 million or 32% from approximately RMB24.5 million as at 31 December 2007, to approximately RMB 32.3 million as at 30 June 2008. However, inventory turnover days improved from 142 days in the first HY2007 to 104 days in the first HY2008.

Trade receivables increased by RMB17.0 million or 47% from approximately RMB36.1 million as at 31 December 2007, to approximately RMB53.1 million as at 30 June 2008, at the same time the trade receivables turnover days increased from 95 days in the first HY2007 to 105 days in the first HY2008. This was due to the longer collection period for government-initiated projects which require three to six months' credit term. The group won more government-initiated projects in the first HY2008 compared with that in FY2007. The trade receivables of government-initiated projects accounted for approximately 45% of our total trade receivables as at 30 June 2008. An allowance amounting to RMB 1.9 million for doubtful debts as at 30 June 2008 for non-government projects was provided.

Other receivables, deposits and prepayment increased from RMB2.8 million as at 31 December 2007 to RMB4.8 million as at 30 June 2008. This was mainly due to higher prepayment for cameras.

Current liabilities

Trade and other payables increased from approximately RMB46.9 million at 31 December 2007 to approximately RMB49.4 million at 30 June 2008.

The average bank borrowing in the first HY2008 was RMB20 million compared to RMB15 million in FY2007.

Cash Flow

The net cash from operating activities was approximately negative RMB18 million. This was mainly due to increase in government-initiated projects which have longer payment terms. In addition, we purchased in advance more materials and parts for the group to avoid the disruption to our business during the Olympic Games period. We believe that our existing cash together with the cash we anticipate to generate from operating activities, and our available bank facilities will be sufficient to meet our current cash requirement.

- 9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.**

Not applicable.

- 10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or event that may affect the group in the next reporting period and the next 12 months.**

The business conditions of our industry remains positive. We believe that we have put in place a strong operating structure and strong management team for leveraging in our favour the expanding opportunities for revenue growth associated with increased demand for security and surveillance products.

We shall continue to focus on research and development and explore developing higher value added innovative products to diversify and expand our customers based.

11. Dividend

- (a) Any dividend declared for the current financial period reported on?**

None

- (b) Corresponding Period of the immediately Preceding financial year**

Yes.

- (c) Date payable**

Not applicable.

- (d) Books closure date**

Not applicable.

12. If no dividend has been declared/recommended, a statement to the effect.

Not applicable.

13. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Not applicable.

14. Negative Assurance Confirmation on Interim Financial Results Under SGX Listing Rule 705 (4) of the Listing Manual

We, Ye Chen and Qin Wei, being Directors of the Company, do hereby confirm, on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors which may render the unaudited interim financial results for the half year ended 30 June 2008 set out above to be false or misleading in any material aspect.

BY ORDER OF THE BOARD

Ye Chen
Executive Chairman & CEO

Dated: 14 August 2008.