FORM 51-102F1

MANAGEMENT DISCUSSION AND ANALYSIS
SIX MONTH PERIOD ENDED JUNE 30, 2007

The following discussion and analysis, prepared as of August 29, 2007, should be read together with the unaudited interim consolidated financial statements for the six month period ended June 30, 2007 and related notes attached thereto, which are prepared in accordance with Canadian generally accepted accounting principles. All amounts are stated in Canadian dollars unless otherwise indicated.

The reader should also refer to the audited financial statements and the Management Discussion and Analysis for the year ended December 31, 2006.

Statements in this report that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements.

Additional information related to Empower Technologies Corporation ("the Company") is available for view on SEDAR at www.sedar.com.

DESCRIPTION OF BUSINESS

The Company is a developer and provider of Linux-based embedded operating software (LEOs), development platforms, and system technologies for the embedded computing industry**.** Empower's LEOs development platforms are a one stop engineering solution. It enables embedded system developers and manufacturers to rapidly engineer new software and hardware products from prototype to production

Under Empower's licensing program for its embedded software and system technologies, our customers must purchase our customized System on Chip (SoC) called LEOs Enabling Chip (LEC). The LEC enables the licensee's application program developed using the LEOs and its runtime library (SDK – Software Development Kit (LDK)) to be operable within their product. Developers running LEOs are required to design their own embedded hardware with the LEC onboard. Under our licensing agreements, developers must also purchase the LEC from Empower when they are ready to go into production.

The Company operates through its wholly-owned Washington State subsidiary Empower Technologies, Inc. ("Empower US"), and indirectly; Empower Technologies (Canada) Inc. ("Empower Canada") and Empower Technologies (Shanghai) Inc. ("Empower Shanghai"). The Company trades on the TSX Venture Exchange under the symbol EPT.

PERFORMANCE SUMMARY

Since the Company successfully created the core technologies, LEOs and LDK in prior periods, the Company is now re-focusing its efforts to developing new products and to heavily commercializing its core technologies. Therefore, the total expenses excluding stock-based compensation decreased to $871,473 compared to $1,084,596 for the three month period ended June 30, 2006. Revenue increased four fold to $114,434 compared to $22,697 for the three month period ended June 30, 2006.

As at June 30, 2007, the Company had $123,940 of cash compared to $95,530 at December 31, 2006. The increase was primarily attributed to the successful completion of a brokered private placement and the exercising of stock options during the six months.

The Company expects overall operating expenses will increase in future periods due to the sales and marketing efforts to commercialize LEOs, the addition of engineering staff to develop new products and the expansion of the Company's sales and marketing team and programs.

Furthermore, during the 2nd quarter of 2007, the following events took place:

- On April 19, the Company completed all steps, including warrant holder and regulatory approval, to reprice its outstanding share purchase warrants (the "Warrants") with an exercise price of $2.50 per common share expiring June 20, 2007. The exercise price of the warrants was reduced to $1.25 per common share, and in accordance with the policies of the TSX Venture Exchange (the "Exchange"), had the shares of Empower traded on the Exchange for ten consecutive days with the closing price of its shares exceeding the revised exercise price by 25% or $0.31, Empower would have given notice to the warrant holders and thirty days thereafter, the Warrants would have expired if not exercised. These warrants expired on June 20, 2007 and were not exercised.

- On May 11, the Company announced the signing of iRep, Inc. of Brownsboro, Alabama (iRep) and North Coast Technical Sales, Inc. of Chesterland, Ohio (North Coast) as exclusive manufacturers' representatives of Empower Technologies' products and services. This latest addition to our sales force signifies the start of our new sales & marketing initiative targeting embedded-systems solutions providers in North America.

- On May 31, the Company announced that it has retained the services of Exponent Communications Inc. ("Exponent") of White Rock, BC to provide investor relations services effective June 1, 2007. This is part of Empower's ongoing effort to consistently make upgrades in all areas of the corporation.

- On June 5, the Company announced the signing of a software development license agreement and a strategic partnership agreement with Navigon Inc. (NAVIGON), a privately held software company based in Hamburg, Germany. Recently it strengthened its position in its core competency by acquiring NAVTEQ's navigation software business. Through this acquisition, NAVIGON is now able to use its expertise in consumer electronics and apply them to the automotive industry. Empower's LEOs will benefit from the automotive-grade navigation software to enhance the in-dash navigation and in-dash infotainment platforms it is creating. This new partnership will advance and integrate infotainment, driving safety, and navigation technologies in the automotive and transportation industries.

- On June 14, the Company announced it would be exhibiting for the first time at the SEMA 2007 trade show in Las Vegas, Nevada. SEMA (Specialty Equipment Market Association – www.sema.org) is a trade organization for the producers and marketers of specialty equipment products and services for the automotive aftermarket. As part of the AAIW (Automotive Aftermarket Industry Week- www.aaiwshow.com), the SEMA Show (www.semashow.com) is one of the largest automotive specialty products trade events for the automotive aftermarket in the world. It will be held in the Las Vegas Convention Center from October 30 to November 2, 2007. The SEMA Show attracts more than 100,000 industry leaders from over 100 countries in the automotive, truck and SUV, marine and RV markets.

- On June 27, the Company announced the appointment of three new sales representative agencies: Engineering Solutions – West (ES-West), Racor Systems, and Radiation Electronics. ES-West has a sales territory that covers northern California, Northern Nevada and Hawaii; Racor systems is responsible for sales in Texas, Oklahoma, Louisiana and Arkansas; while Radiation Electronics' territory extends to metropolitan New York, New Jersey and lower Connecticut. With this announcement, the total number of manufacturers' representatives comes to five and sales territories that now cover most of the major technology markets in the United States of America. The Company believes this will have a positive impact on expanding the Company's revenue and customer base.

RESULTS OF OPERATIONS

	Six Month Period Ended June 30, 2007	Six Month Period Ended June 30, 2006	Three Month Period Ended June 30, 2007	Three Month Period Ended June 30, 2006
Revenue				
Canada	$ 117,771	$ 16,634	$ 110,846	$ 2,625
United States of America	13,599	20,072	3,588	20,072
	131,370	36,706	114,434	22,697
Cost of Sales	158,985	23,056	148,599	8,099
Gross Margin	(27,615)	13,650	(34,165)	14,598
Total expenses	1,771,235	2,204,181	887,994	1,183,417
Total expenses without stock-based compensation	1,662,317	2,034,071	871,473	1,084,596
Total expenses without stock-based compensation and R&D Costs	1,079,226	1,296,347	578,928	714,570
Loss for the period				
Canada	(1,739,693)	(2,019,614)	(879,439)	(1,100,781)
People's Republic of China	29,481	(133,596)	28,730	(69,142)
United States of America	(80,515)	(9,105)	(64,837)	11,560
	$ (1,790,727)	$ (2,162,315)	$ (915,546)	$ (1,158,363)

Revenue

The Company's activities have shifted in 2007 from primarily the development of the Company's core technologies to commercializing the sales and marketing of LEOs, the LDK development platform and the reference designs using LEOs. Revenues generated for the three months ended June 30, 2007 were $114,434 compared with $22,697 for the three months ended June 30, 2006. This four fold increase is attributed to the successful execution of the Company’s decision to change the sales and marketing team to align with the change in the sales focus from distributed and end of life products to the Company’s core enabling embedded technology: LEOs (LunuxDA Embedded O/S) and LDK591x. Year to date, our revenues have increased to $131,370, an increase of $94,664 compared with 2006.

The Company anticipates revenue to continue to improve through the new sales and marketing strategies that Empower has devised during the course of the marketing transition:

- Creating an efficient sales network that will consist of manufacturer’s representatives and major electronics and technologies distributors to market and to sell LEOs and LDK platform development kits among developers, manufacturers, value-added resellers, and system integrators.

- Advancing, since April, from zero to five Manufacturers Rep Agencies (approximately equivalent to having at least 10 commission salesmen) that have a sales territory covering most of the major technology markets in the United States of America.

- Widening the focus of the Company's sales and marketing efforts from the consumer electronics market to the broader embedded-system market, which includes the automotive, RFID, industrial control, and medical devices sectors.

- Joining, for the first time, the SEMA 2007 trade show in Las Vegas, Nevada. SEMA (Specialty Equipment Market Association – www.sema.org) is a trade organization for the producers and marketers of specialty equipment products and services for the automotive aftermarket. The Company will also exhibit for the first time at the Portable Design Conference in October.

- Accelerating the process of turning Empower customer Design Wins into engineered products and the purchase of LEC (LEO Enabling Chip) when they are ready to go into production.

The significant increase in revenue in this quarter signals that turning Design Wins into engineered products is progressing well and reinforces the benefits of this marketing strategy.

Cost of Sales

The Company is in the transition of selling off initial inventory made in Canada at a significantly higher cost. Thus, it impacts the margin negatively. With sales activities increase, the Company is in a position able to start moving production to low cost manufacturing centre in Asia which is volume driven. This will improve margin significantly.

General and Administrative

General and administrative expenses without stock-based compensation and R&D costs for the three months ended June 30, 2007 decreased to $578,928 (2006 - $714,570) due to the change of the sales and marketing team, programs, and tradeshow exhibition mixes. Advertising and promotion remained the same at $110,010 (2006 - $110,507). Rent increased to $16,439 (2006 - $13,141) due to the relocation of our Shanghai office. Consulting fees decreased to $177,548 (2006 - $207,508). Year to date, our general and administrative expenses without stock-based compensation and R&D costs decreased to $1,079,226, compared with $1,296,347 in 2006. Decreases in wages and benefits, advertising and promotion and travel were partially offset by an increase in consulting.

Research and Development

Research and Development costs ("R&D costs") are expensed as incurred. R&D costs for the three month period ended June 30, 2007 decreased from $370,026 for the quarter ended June 30, 2006 to $292,545 for the quarter ended June 30, 2007. R&D costs for the six month period ended June 30, 2007 were $583,091 compared to $737,724 for the six month period ended June 30, 2006.

The R&D cost decrease is due to the Company successfully developing its core technology, LEOs operating software and LDK591x. From here on, for these products, our focus will be on regular maintenance, improvement and upgrading the core technology LEOs and adding new embedded CPU platforms such as TI's DM64x+ DaVinci™ Processors.

	Six Month Period Ended June 30, 2007	Six Month Period Ended June 30, 2006	Three Month Period Ended June 30, 2007	Three Month Period Ended June 30, 2006
Equipment and supplies	$ 50,002	$ 47,958	$ 22,206	$ 28,152
Rent	$ 59,832	$ 74,220	30,754	36,699
Salaries and benefits	$ 473,257	$ 593,654	239,585	283,283
Technical consulting fees		$ 21,892	-	21,892
	$ 583,091	$ 737,724	$ 292,545	$ 370,026

SIGNIFICANT PROJECTS

LEOs III (LinuxDA Embedded O/S III)

Empower US has commenced work on the next version of LEOs for Texas Instruments' (TI) latest DaVinci™ dual-core microprocessor – DM6441.

LDK6441 Development Kit

Empower US has commenced work on LEOs III for TI DM6441 Development Kit (LDK6441). This will be a brand new kit made specifically for TI's new DaVinci™ family of dual-core microprocessor.

Osaka Technology

With CD, DVD, MP3, user programming and PC connectivity capabilities, the Osaka Technology (formerly "Osaka Project") is a compact, all-digital intelligent audio/video reference design platform. Supporting a wide range of audio and video functions, it integrates all the elements of a personal computer and home audio/video, in addition to a PDA with QVGA display. It is powered by LEOs for the TI OMAP591x dual core processor. The Company targeted the audio/video developers, designers and manufacturers to use the "Osaka Technology" to fast track their AV product development.

PowerPlay iH

This mobile data terminal model is near the end of development. It was previously named "PowerPlay 1x". The letters "iH" stands for "industrial Handheld". The Company is working on the industrial design of the housing of the unit. Besides the regular PDA functions, this new model will have wireless communication capability. The "PowerPlay iH" is targeted toward the industrial control market.

Portable Navigation Device

This is the Portable Navigation Device (PND) reference design Empower is developing using map engine technology licensed from its partner Navigon. It will be exhibited at the SEMA 2007 trade show in Las Vegas in October, 2007.

SUMMARY OF QUARTERLY RESULTS

	Three Months Ended June 30, 2007	Three Months Ended March 31, 2007	Three Months Ended December 31, 2006	Three Months Ended September 30, 2006
Total assets	$ 944,625	$ 1,878,671	$ 1,024,654	$ 1,628,819
Stock Based Compensation	16,521	92,397	50,980	58,275
Working capital	550,662	1,441,477	535,222	1,384,272
Shareholders' equity	683,131	1,582,156	681,875	1,559,571
Revenues	114,434	16,936	28,461	19,971
Net Loss	(915,546)	(875,181)	(1,036,656)	(954,903)
Loss per share	$ (0.03)	$ (0.02)	$ (0.03)	$ (0.03)

	Three Months Ended June 30, 2006		Three Months Ended March 31, 2006		Three Months Ended December 31, 2005		Three Months Ended September 30, 2005	
Total assets	$	2,668,439	$	3,655,735	$	4,613,921	$	5,808,234
Stock Based Compensation		98,821		71,289		133,937		-
Working capital		2,206,395		3,259,123		4,032,774		5,329,032
Shareholders' equity		2,386,199		3,447,144		4,212,634		5,462,054
Revenues		22,697		14,009		(59,849)		30,454
Net Loss		(1,158,363)		(1,003,952)		(1,307,884)		(1,072,759)
Loss per share	$	(0.03)	$	(0.03)	$	(0.04)	$	(0.03)

LIQUIDITY

The Company has financed its operations to date primarily through the issuance of common shares. The Company continues to seek capital through various means including the issuance of equity and/or debt.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles with the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The continuing operations of the Company are dependent upon its ability to continue to raise adequate financing and to commence profitable operations in the future.

		As at June 30, 2007		As at June 30, 2006
Deficit	$	(18,251,884)	$	(14,469,598)
Working capital	$	550,662	$	2,206,395

Net cash used in operating activities for the three month period ended June 30, 2007 was $850,326 compared to net cash used of $962,384 for the three month period ended June 30, 2006. For the six months ended June 30, 2007, the cash used in operating activities was $1,555,233, compared with $2,073,371 for the six months ended June 30, 2006. The cash used in operating activities for both the quarter and the year to date to June 30, 2007 consisted primarily of research and development expenses, marketing and sales activities, advertising and promotion, tradeshows, travel and accommodation, and remuneration of employees and consultants. The decrease in the use of cash was primarily caused by reduced spending on the Company's operations.

Net cash used in investing activities for the three month period ended June 30, 2007 was $Nil compared to net cash used in investing activities of $3,198 for the three month period ended June 30, 2006. Year to date, the net cash used in investing activities was $2,217, compared with cash contributed by investing activities of $22,274 for the same period in 2006. In 2006, capital spending partially offset the proceeds of a loan. For 2007, there was only purchase of a minor amount of capital equipment.

Net cash used in financing activities for the three month period June 30, 2007 was $1,103 compared to net cash used by financing activities of $2,506 for the three month period ended June 30, 2006. The cash used during the current period consisted of repayment of capital lease amounts. Year to date in 2007, cash provided by financing activities was $1,585,860, compared with cash contributed of $163,565 for the same period in 2006. The increase in 2007 was due to the issue of common shares during the first quarter of 2007.

At June 30, 2007, the Company had $123,940 in cash and equivalents. The Company has been incurring operating losses (excluding stock-based compensation and amortization) at the average rate of $298,775 per month over the last three months.

CAPITAL RESOURCES

The authorized capital of the Company consists of unlimited common shares without par value. As at June 30, 2007, there are 36,545,654 common shares issued and outstanding.

During the six month period ended June 30, 2007, the Company completed a brokered private placement with Union Securities Ltd. ("the Agent"). The private placement was for 1,700,000 Units (the "Offering") at a price of $0.90 per Unit for total proceeds of $1,530,000. Each Unit consists of one common share and one-half common share purchase warrant. Each whole warrant has an exercise price of $1.25 with an expiry date of February 20, 2008. The Company granted the Agent an Over-Allotment Option ("Over-Allotment Option") exercisable to February 27, 2007 to purchase 170,000 Units on the same terms as the Units in the offering. 90,000 of the Over-Allotment Options were exercised by the Agent immediately and the balance expired. The Agent's compensation included a commission of 8% of the gross subscription amount and the Over-Allotment Option. In addition, the Agent received 179,000 compensation options (the "Agent's Compensation Options" valued at $49,035) equal to 10% of all Units sold pursuant to the Offering and the Over-Allotment Option. Each Agent's Compensation Option entitles the Agent to purchase one Unit of the Company at $0.90 per Unit at any time prior to February 20, 2008.

In February 2007, the TSX Venture Exchange approved the repricing of the Company's 1,593,185 share purchase warrants from an exercise price of $2.50 to $1.25 per share. Those repriced warrants expired on June 20, 2007 without being exercised.

The company also has 895,000 warrants outstanding from the brokered private placement described above. Each warrant entitles the holder to purchase one share of the Company at a price of $1.25 at any time on or before February 20, 2008.

The warrants will be a source of new equity capital for the company in the event that market conditions lead to their being exercised.

As at June 30, 2007	Shares	Exercise Price	Expiry Date	Amount
Warrants outstanding	895,000	$1.25	February 20, 2008	$1,118,750
	895,000			$1,118,750

Currently the Company is not committed to any material future capital expenditure.

OUTSTANDING SHARES

As at June 30, 2007, the Company has shares outstanding as followings:

	Shares
Authorized	
Unlimited common shares without par value	
Balance, December 31, 2006	34,055,654
Brokered private placement	1,700,000
Agent's shares issued pursuant to the brokered private placement	90,000
Exercise of options	700,000
Balance, June 30, 2007	36,545,654

RELATED PARTY TRANSACTIONS

The Company entered into the following transactions with related parties:

a) Paid or accrued directors' fees of $60,000 (six month period ended June 30, 2006 - $51,000) for services provided by directors and officers of the Company.

b) Recorded stock-based compensation of $80,660 (six month period ended June 30, 2006 - $32,696) for options granted to directors and officers of the company.

c) Paid or accrued consulting fees of $302,000 (six month period ended June 30, 2006-$191,000) for services provided by directors and officers of the Company.

Included in research and development costs are compensation and benefits of $60,000 (six month period ended June 30, 2006 - $98,286) paid to an officer of the Company.

Included in current accounts payable is $107,520 (six month period ended June 30, 2006 - $95,230) due to directors and officers of the Company.

The amounts charged to the Company for the services provided have been determined by negotiation among the parties and, in certain cases, are covered by signed agreements. These transactions were in the normal course of operations and were measured at the exchange value, which represented the amount of consideration established and agreed to by the related parties.

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Principles of consolidation

The consolidated interim financial statements include the accounts of the Company and its wholly owned subsidiaries. Significant inter-company balances and transactions have been eliminated upon consolidation.

Use of estimates

The preparation of consolidated financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the year. Actual results could differ from these estimates.

Impairment of long-lived assets

A long-lived asset is tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. An impairment loss is recognized when the carrying amount of a long-lived asset exceeds its fair value. For purposes of recognition and measurement of an impairment loss, a long-lived asset is grouped with other assets and liabilities to form an asset group, at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Estimates of future cash flows used to test recoverability of a long-lived asset include only the future cash flows that are directly associated with, and that are expected to arise as a direct result of, its use and eventual disposition.

Inventories

The Company has changed its inventory valuation method from FIFO to Weighted Average beginning January 1, 2007.

Inventories consist of material inventories, work in process and finished goods. The material inventory balances include electronic parts for research and development use. The work in process and finished goods balances include electronic consumer products.

Research and development expenses

Costs related to research, design and development of software products are charged to research and development expense as incurred. Software development costs are capitalized beginning when a product's technological feasibility has been established, which generally occurs upon completion of a working model, and ending when a product is available for general release to customers. All subsequent costs are expensed as incurred. The Company reassesses whether it has met the relevant criteria for deferral and amortization and whether there is any impairment in value at each reporting date.

Property and equipment

Property and equipment are recorded at cost less accumulated amortization. Amortization is calculated using the declining balance method at the following annual rates:

Computer equipment	30%
Furniture and equipment	20%
Leasehold improvements	25%
Tools	20%

Revenue recognition

i) Software
The Company recognizes revenue as described below which is consistent with Statement of Position 97-2, "S*oftware Revenue Recognition*" ("SOP 97-2") issued by the American Institute of Certified Public Accountants.

The Company recognizes revenue from packaged software and license fees when the software is delivered, title has passed and customer acceptance has occurred, there is persuasive evidence that an arrangement exists, the fee is fixed and determinable, and collection is probable.

ii) Products

The Company generates revenue through the sale of electronic products. Revenue is recognized only when persuasive evidence for a sales arrangement exists (i.e. delivery of the product has occurred); the product fee is fixed or determinable; and collection of the sale is reasonably assured.

Income taxes

Future income taxes are recorded using the asset and liability method whereby future tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply when the asset is realized or the liability settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that substantive enactment or enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Foreign currency translation

The Company's subsidiaries, whose functional currencies are other than the Canadian dollar, are translated as integrated operations using the temporal method. Under this method, monetary items are translated into Canadian dollar equivalents at the exchange rate in effect at the balance sheet date, non-monetary items are translated at historical rates, and revenue and expense items are translated at exchange rates prevailing when such items are recognized in the statement of operations. Exchange gains or losses arising on translation of foreign currency items are included in operating results.

Stock-based compensation

The Company uses the fair-value method of accounting for all stock-based compensation.

Loss per share

The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year. For the years presented, this calculation proved to be anti-dilutive.

Basic loss per share is calculated using the weighted-average number of common shares outstanding during the year.

CHANGE OF ACCOUNTING POLICY

The Company has changed its accounting policy with regards to inventory valuation method from the first in first out method to the weighted average method beginning January 1, 2007.

The reasons for applying the weighted average method are 1) cost-saving effect and 2) simplicity in calculating the cost of items used in projects.

The effect of the change of method in inventory valuation had a minor impact on inventory and no impact on cost of goods sold. The net effects are shown as follows:

	2006	**2005**	**2004**
Inventory- FIFO	$662,973	$803,343	$398,616
Inventory- Weighted Average	663,498	803,924	398,638
Net increase(decrease) in inventory	($60)	$562	$21
Net increase(decrease) in research and development expense	$60	($562)	($21)

This change of method has no effect on financial statements before 2004.

FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, receivables, accounts payable and accrued liabilities, obligations under capital leases, and loan payable. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying value, unless otherwise noted.

The Company is exposed to financial risk arising from fluctuations in foreign exchange rates and the degree of volatility of these rates. The Company does not use derivative instruments to reduce its exposure to foreign currency risk.

Certain operations of the Company are conducted in the People's Republic of China ("PRC"). As a result, the Company's business, financial condition and results of operations may be influenced by the political, economic and legal environments in the PRC, and by the general state of the PRC economy. The operations in the PRC are subject to different considerations and other risks not typically associated with companies in North America. These include risks associated with, among others, the political, economic and legal environments and foreign currency exchange. The Company's results may be adversely affected by changes in the political and social conditions in the PRC, and by changes in governmental policies with respect to laws and regulations, anti-inflationary measures, currency conversion and remittances abroad, and rates and methods of taxation, among other things.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer evaluated the effectiveness of our disclosure controls and procedures for the six month period ending June 30, 2007 and concluded that our disclosure controls and procedures provided reasonable assurance that material information relating to the company was made known to them and reported as required.

Our Chief Executive Officer and Chief Financial Officer are also responsible for the design of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. They have evaluated the design of our internal controls and procedures over financial reporting as of the end of the period covered by the annual filings, and believe the design to be sufficient to provide such reasonable assurance. To the date of this interim management discussion & analysis, there have not been any changes that materially affect, or are likely to affect, our internal controls over financial reporting.

SUBSEQUENT EVENTS

Subsequent to June 30, 2007, 400,000 options were exercised by a director of the Company in July 2007, at $0.35 each for total proceeds $140,000.