



深圳市明華澳漢科技股份有限公司
Shenzhen Mingwah Aohan High Technology Corporation Ltd.*
(a joint stock limited company incorporated in the People's Republic of China)
Stock Code: 8301

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Interim Report
For The Six Months
Ended 30 June 2009



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* For identification purpose only

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Interim Report

For the Six Months Ended 30 June 2009

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities trade on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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This report, for which the directors (the "Directors") of Shenzhen Mingwah Aohan High Technology Corporation Limited (the "Company") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief; (1) the information contained in this report is accurate and complete in all material respects and not misleading; (2) there are no other matters the omission of which would make any statement in this report misleading; and (3) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

* for identification purpose only

HIGHLIGHTS

- For the six months ended 30 June 2009, unaudited turnover decreased to approximately RMB22,275,000, which represents an approximate 44.2% decrease as compared to that of the same period last year. The loss attributable to the shareholders for the six months ended 30 June 2009 was approximately RMB1,242,000 (2008: profit of approximately RMB978,000).
- Loss per share of the Group was approximately RMB0.24 cents for the six months ended 30 June 2009.

To all shareholders,

The Board of Directors (the "Board") are pleased to announce the unaudited condensed consolidated quarterly results of the Group for the three months and six months ended 30 June 2009 together with comparative figures for the corresponding periods ended 30 June 2008, as follows:

THE FINANCIAL STATEMENTS**Unaudited Condensed Consolidated Statement of Comprehensive Income**

For the three months and six months ended 30 June 2009 and 30 June 2008

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2009 RMB'000 <i>(Unaudited)</i>	2008 <i>RMB'000</i> <i>(Unaudited)</i>	2009 RMB'000 <i>(Unaudited)</i>	2008 <i>RMB'000</i> <i>(Unaudited)</i>
Turnover	3	11,879	22,824	22,275	39,918
Cost of sales		(8,375)	(15,636)	(15,707)	(27,550)
Gross profit		3,504	7,188	6,568	12,368
Other operating income		225	112	348	127
Distribution costs		(641)	(1,385)	(1,295)	(2,373)
Administrative expenses		(1,514)	(3,077)	(3,711)	(5,917)
Other operating expenses		(139)	(18)	(139)	(18)
Profit from operations	5	1,435	2,820	1,771	4,187
Finance costs		(1,959)	(838)	(2,978)	(2,098)
(Loss)/Profit before taxation		(524)	1,982	(1,207)	2,089
Income tax expense	6	(18)	(584)	(68)	(632)
(Loss)/Profit for the period		(542)	1,398	(1,275)	1,457
Attributable to:					
Equity holders of the parent		(489)	928	(1,242)	978
Minority interest		(53)	470	(33)	479
		(542)	1,398	(1,275)	1,457
Dividend	7	—	—	—	—
(Loss) /Earnings per share					
– Basic (cents)	8	(0.09)	0.18	(0.24)	0.19
– Diluted (cents)		N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Financial Position*At 30 June 2009 and 31 December 2008*

	<i>Note</i>	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment		17,113	18,162
Prepaid lease payments		2,348	2,389
Long-term receivables		—	943
		<hr/> 19,461	<hr/> 21,494
Current assets			
Inventories		9,518	9,955
Trade receivables	9	39,684	42,932
Other receivables		21,852	19,956
Prepaid lease payments		82	82
Amount due from a shareholder		500	500
Amounts due from directors		432	467
Pledged bank deposit		3,353	3,429
Bank balances and cash		2,063	8,734
		<hr/> 77,484	<hr/> 86,055
Current liabilities			
Trade and other payables	10	69,398	55,324
Tax liabilities		6,801	7,348
Bank borrowings		19,108	41,964
		<hr/> 95,307	<hr/> 104,636
Net current liabilities		<hr/> (17,823)	<hr/> (18,581)
Net assets		<hr/> 1,638	<hr/> 2,913

		2009	2008
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital and reserves			
Share capital	11	52,000	52,000
Reserves		(50,548)	(49,306)
		<hr/>	<hr/>
Equity attributable to equity holders of the Company		1,452	2,694
Minority interests		186	219
		<hr/>	<hr/>
Total equity		1,638	2,913
		<hr/> <hr/>	<hr/> <hr/>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2009 and 30 June 2008

	Paid-in capital RMB'000	Share premium RMB'000	Statutory (Accumulated			Total RMB'000	Minority interest RMB'000	Total RMB'000
			surplus reserve RMB'000	public welfare fund RMB'000	losses)/ retained profits RMB'000			
At 1 January 2008	52,000	17,574	5,908	2,955	(70,447)	7,990	761	8,751
Net profit for the period	—	—	—	—	978	978	479	1,457
At 30 June 2008	<u>52,000</u>	<u>17,574</u>	<u>5,908</u>	<u>2,955</u>	<u>(69,469)</u>	<u>8,968</u>	<u>1,240</u>	<u>10,208</u>
At 1 January 2009	52,000	17,574	5,954	2,978	(75,812)	2,694	219	2,913
Net loss for the period	—	—	—	—	(1,242)	(1,242)	(33)	(1,275)
At 30 June 2009	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(77,054)</u>	<u>1,452</u>	<u>186</u>	<u>1,638</u>

Unaudited Condensed Consolidated Cash Flow Statement

For the six months ended 30 June 2009 and 30 June 2008

	Six months ended	
	30 June	
	2009	2008
	<i>RMB'000</i>	<i>RMB'000</i>
Net cash generated from/(used in) operating activities	19,127	(11,153)
Net cash (used in)/generated from investing activities	(40)	51
Net cash used in financing activities	(25,758)	(2,080)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(6,671)	(13,182)
Cash and cash equivalents at beginning of the period	8,734	25,802
	<hr/>	<hr/>
Cash and cash equivalents at end of the period		
– represented by bank balances and cash	2,063	12,620
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Financial Statement

For the period ended 30 June 2009

1. GENERAL

The Company is a public limited liability company incorporated in the People's Republic of China (the "PRC") and its H shares are listed on the Growth Enterprise Market (the "GEM") of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group is principally engaged in design, development and manufacture of IC cards, magnetic cards, related equipment and the application systems in the PRC.

2. BASIS OF PREPARATION

The accompanying unaudited condensed consolidated results of the Group are prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of Chapter 18 of the GEM Listing Rules. They have been prepared under historical cost convention.

A number of new or revised Standards and Interpretations are effective for the financial year beginning on 1 January 2009. Except as described below, the same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2008.

HKFRS 8 "Operating Segments"

(effective for annual periods beginning on or after 1 January 2009)

HKFRS 8 is a disclosure Standard that has resulted in a redesignation of the Group's reportable segments, but has had no impact on the reported results or financial position of the Group.

HKAS 1 (revised 2007) "Presentation of Financial Statements"

(effective for annual periods beginning on or after 1 January 2009)

HKAS 1 (revised 2007) has introduced a number of terminology changes (including revised titles for the condensed consolidated financial statements) and has resulted in a number of changes in presentation and disclosure. However, HKAS 1 (revised 2007) has had no impact on the reported results or financial position of the Group.

The Group has not applied any new standards or interpretation that is not yet effective for the current accounting period.

The condensed consolidated results are unaudited but have been reviewed by the Company's audit committee.

3. TURNOVER

Turnover represents the net amounts received and receivable for goods sold to outside customers, and are summarised as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2009 <i>RMB'000</i> <i>(Unaudited)</i>	2008 <i>RMB'000</i> <i>(Unaudited)</i>	2009 <i>RMB'000</i> <i>(Unaudited)</i>	2008 <i>RMB'000</i> <i>(Unaudited)</i>
Sales of card products	11,295	21,394	21,053	36,969
Sales of non-card products	584	1,430	1,222	2,949
	<u>11,879</u>	<u>22,824</u>	<u>22,275</u>	<u>39,918</u>

4. SEGMENTAL INFORMATION

Business segments

For management purpose, the Group's products are divided into two kinds, namely card products and non-card products. Card products include IC cards, non-IC cards, IC chips and others. Non-card products include card peripheral equipment. These products are the basis on which the Group reports its business segmental information.

The Group's primary format for reporting segmental information is by business segments.

Segmental information about the business is presented below:

For the six months ended 30 June 2009

	Card products RMB'000	Non-card products RMB'000	Consolidated RMB'000
Revenue			
External sales	<u>21,053</u>	<u>1,222</u>	<u>22,275</u>
Results			
Segment results	<u>1,466</u>	<u>96</u>	1,562
Unallocated bank interest income			32
Unallocated other operating income			316
Unallocated corporate expenses			<u>(139)</u>
Profit from operations			1,771
Finance costs			<u>(2,978)</u>
Loss before taxation			(1,207)
Income tax expense			<u>(68)</u>
Loss before minority interests			(1,275)
Minority interests			<u>33</u>
Net loss for the period			<u><u>(1,242)</u></u>

For the six months ended 30 June 2008

	Card products RMB'000	Non-card products RMB'000	Consolidated RMB'000
Revenue			
External sales	36,969	2,949	39,918
	<u>36,969</u>	<u>2,949</u>	<u>39,918</u>
Results			
Segment results	4,717	(639)	4,078
	<u>4,717</u>	<u>(639)</u>	<u>4,078</u>
Unallocated bank interest income			116
Unallocated other operating income			11
Unallocated corporate expenses			(18)
			<u>116</u>
Profit from operations			4,187
Finance costs			(2,098)
			<u>(2,098)</u>
Profit before taxation			2,089
Income tax expense			(632)
			<u>(632)</u>
Profit before minority interests			1,457
Minority interests			(479)
			<u>(479)</u>
Net Profit for the period			<u>978</u>

5. PROFIT FROM OPERATIONS

Profit from operations has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
Depreciation of property, plant and equipment	533	531	1,058	1,100
Amortisation of prepaid lease payments	21	21	41	41
Total depreciation and amortization	<u>554</u>	<u>552</u>	<u>1,099</u>	<u>1,141</u>

6. INCOME TAX EXPENSE

The charge represents enterprise income tax in the PRC.

	For the three months ended 30 June		For the six months ended 30 June	
	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2008 RMB'000 (Unaudited)
PRC enterprise income tax				
Current period	<u>18</u>	<u>584</u>	<u>68</u>	<u>632</u>

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 15% to 25% on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at 30 June 2008 and 30 June 2009.

7. DIVIDEND

No dividend was paid during the period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2009 (2008: Nil).

8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share for the six months ended 30 June 2009 is based on the unaudited net loss for the relevant period of approximately RMB1,242,000 (2008: profit of approximately RMB978,000) and the weighted average number of 520,000,000 shares (2008: 520,000,000 shares).

Diluted (loss)/earnings per share is not presented as there were no potential ordinary shares outstanding during the relevant periods.

9 TRADE RECEIVABLES

Details of the aging analysis are as follows:

	2009	2008
	RMB'000	RMB'000
1 to 90 days	15,699	19,435
91 to 180 days	4,192	7,454
181 to 365 days	5,768	11,234
Over 365 days	61,382	52,166
	<hr/>	<hr/>
	87,041	90,289
Less: Impairment for trade receivables	(47,357)	(47,357)
	<hr/>	<hr/>
	39,684	42,932
	<hr/> <hr/>	<hr/> <hr/>

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB19,793,000 (2008: approximately RMB16,043,000) which are past due at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

10. TRADE AND OTHER PAYABLES

The following is an aging analysis of trade payables at the reporting date:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
1-90 days	9,319	8,595
91-180 days	947	2,269
181-365 days	1,069	3,386
Over 365 days	7,489	11,771
	<hr/>	<hr/>
Trade payables	18,824	26,021
Value-added tax payable	9,802	11,159
Deposits from customers	—	1,542
Other payables	40,772	16,062
	<hr/>	<hr/>
	69,398	55,324
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade payables and other payables at 30 June 2009 approximates to the corresponding carrying amount.

11. PAID-IN CAPITAL

The paid-in capital represents the nominal value of the Company of RMB0.1 each as at 30 June 2009.

12. CAPITAL COMMITMENTS

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Capital injection in a jointly controlled entity contracted for but not provided in the financial statements	786	786

13. PLEDGE OF ASSETS

The following assets have been pledged to secure bank loans granted to the Group:

	30 June 2009 RMB'000 (Unaudited)	31 December 2008 RMB'000 (Audited)
Property, plant and equipment	7,887	8,446
Prepaid lease payment	2,430	2,471
Bank deposits	3,353	3,429
	13,670	14,346

14. RELATED PARTY TRANSACTIONS

There were no related party transactions incurred during the period under review.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Operating Results

For the six months ended 30 June 2009, the Group's unaudited turnover was approximately RMB22,275,000, representing a decrease of approximately 44.2% as compared to the corresponding period last year. The Group has recorded a loss of approximately RMB1,242,000 (2008: a profit of approximately RMB978,000)

For the six months ended 30 June 2009, the Group has suffered a loss of RMB0.24 Cents per share.

(II) Business Review

The Group's turnover for the six months ended 30 June 2009 was approximately RMB22,275,000, representing a decrease of approximately 44.2% as compared to the corresponding period last year (2008: approximately RMB39,918,000). The main reason for the decrease of the turnover was the keen competition on the market and the global economic downturn, resulting in the decline of orders for the company. It has been believed that such phenomenon will be improved in the latter half of the year.

Because of the decline in sales, for the six months ended 30 June 2009, the Group's cost of sales was decreased to approximately RMB15,707,000 (2008: approximately RMB27,550,000). The gross profit for the six months ended 30 June 2009 was approximately RMB6,568,000 (2008: RMB12,368,000). The gross profit margin was approximately 29.5% (2008: 31%).

When compared to the corresponding period last year, the cost of distribution was decreased by 45.43% to approximately RMB1,295,000 (2008: approximately RMB2,373,000) mainly due to the drop of sales. The administrative expenses were decreased by 37.3% to approximately RMB3,711,000 (2008: approximately RMB5,917,000) mainly due to the Group's adoption of stringent control on the costs.

For the six months ended 30 June 2009, the Group's loss attributable to shareholders was approximately RMB1,242,000 (2008: a profit of approximately RMB978,000).

1. **Adjustment of Key Sales Strategies**

As the Group's card business was facing aggressive pricing competition, the Group has gradually strengthened its R&D and sales of high profit value-added products such as CPU Card and eKey. With the further implementation of the national Electronic Signature Law in various fields and industries, eKey, the Group's high-end security communication product, has achieved higher market share and more competitive edges in such markets.

On the industrial application front, we continued to solidify and expand the market share of eKey in the PRC e-Government program, online banking, social insurance and code security, laying a solid foundation for our high-end products to further expand and achieve higher profit in the security communication market in the future.

The Group continued to maintain a steady growth in the sales of IC card and logical coded card products through our sales channels, expand our sales effort on the franchise business and maintain our relationship with key clients, so as to ensure a steady stream of orders.

In order to reinforce the research and development as well as the technical cooperation concerning the WAPI technical products of China Standard Series, we have taken part in China's major project construction and the nation-wide wireless city plan. We have tendered successfully in the tender invitation for the WAPI project from China Mobile to lay a solid foundation for the large-scale application of the product next year. As expected by the Group, the tender invitation from the three major WAPI operators will undergo explosive growth in 2010. The Company believes that having become one of the three major suppliers for China Mobile Olympic wireless equipment in 2008, and been admitted by China Mobile Group for the tendered project in 2009 will be of great help with breakthrough in the large-scale tender invitation for projects in 2010. Such technical products will be a new factor of great significance to the Group's profit growth and exploration of new markets.

The Group being optimistic about the prospects of "ETC" system, has launched nation-wide promotion, in coordination with the Ministry of Communications and the Ministry of Construction. We have endeavored to enable the Company to take the lead in the industry of ETC system with great potentials.

2. **R&D and Technical Support**

The Group has continued to be engaged in the research and development of the Company's high-end products – eKey and the intelligent card operating system as well as the RFID electronic label technique system, to upgrade the intelligent card operating system in compliance with the application requirements for the industry and the development platform for new chips, enhance the functions of WAPI wireless products, and reinforce the after-sale technical service, along with the adoption of the active one-stop technical support strategy to providing our major clients in the industry with prompt comprehensive technical solutions for sure.

3. **External Cooperation**

The Group continued its co-operation with renowned overseas and local chip manufacturers to grasp the technology development trend and to search for new point-of-growth. The Group is developing progressively in the RFID market at the same time engaging in batching and mass production to a greater extent. Cooperation with various overseas and domestic large corporations is also enhanced in respect of WAPI products. We seek to obtain obvious dominance in the large-scale application of the products next year.

4. **Overseas Market Expansion**

The Group continued to expand its effort on international market expansion and sales promotion, and solidified its sales channels and strategic relationships, so as to enlarge its market share.

(III) Future Prospect

The Group aims at becoming the leading player in the PRC's card products industry, promoting the brand name of "M&W" as a renowned brand in the PRC's smart card industry and focusing on the development of high-end products in the field of information security. In order to grasp the huge market potential in the area of information security, the Group plans to secure a dominant position in such field by leveraging on its expertise and competitive advantages in smart card business.

The Group in view of the long-term development of the Company, will invest in the field beneficial to the company development by all means, including but not limited to the field of energy resources.

1. Technical Development

The Group will continue to contribute to the R&D of SCOS, completing the SCOS to meet the upgrading standards of Europay Master Card and Visa standard, Code Division Multiple Access (CDMA), and the fingerprint OS and Java OS.

We will continue to upgrade and complete our eKey products, and complete the R&D of broadband eKey and security smart card by plan.

We will continue to promote the serialization and marketization of the RFID products, and enhance the compatibility of RFID antenna.

Concentrate our resources on the research and development of WAPI wireless products.

The Group will enhance its sales and marketing for overseas brand by strengthening its overseas promotion and operation. In the meanwhile, we will realize the complementation effect of advantages through overseas cooperation, making every effort to build "M&W" a renowned brand in the international smart card industry.

2. **Marketing Strategy**

On the premise of a solidified market share, the Group will continue to expand the application of its eKey products in the commercial bank network and e-government in the PRC, so as to enlarge its market share and expand its application in other fields of security communication.

It is the marketing strategy of CPU Card to solidify and promote its application in the key industries such as social insurance and banking, on a continuous basis.

We will expand our effort on exploring overseas markets, and enhance the international coverage of the M&W brand. We will implement our agency system across the world, and establish distribution relationships with leading corporates in the industry from various countries.

To seek orders from the major clients (China Mobile, China Telecom, and Unicom) in the form of cooperation upon the launch of the WAPI wireless products onto the market.

3. **Management Operation**

The Group will complete its system, promote its corporate management, implement a centralized procurement and distribution system and implement a central capital allocating system, so as to maximize the utility of its capital resources.

The Group will continue to put in efforts in implementing a budget control system and to construct an expense status feedback mechanism over administrative expenses for designated projects. We will strengthen our review on contracts and the control and management over receivables in the financial operation, so as to control the risks associated with the Group's operation.

4. **Conclusion**

The Group will put more efforts in consolidating its market position and market development, maintain the technological advantage of its products and allocate the Group's resources properly to achieve better results in the second half year. The Board has every confidence in the Group's prospects.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current assets

As at 30 June 2009, the Group had net current liabilities of approximately RMB17,823,000. Current assets as at 30 June 2009 comprise inventories of approximately RMB9,518,000, trade receivables of RMB39,684,000, other receivables of approximately RMB21,852,000, prepaid lease payments of approximately RMB82,000, amount due from a shareholder of approximately RMB500,000, amounts due from directors of approximately RMB432,000, pledged bank deposits of approximately RMB3,353,000, and bank balances and cash of approximately RMB2,063,000. Current liabilities as at 30 June 2009 comprise trade and other payables of approximately RMB69,398,000, tax liabilities of approximately RMB6,801,000, short-term borrowings of approximately RMB19,108,000.

CAPITAL COMMITMENTS

As at 30 June 2009, the Group had outstanding capital commitments of approximately RMB786,000 (as at 31 December 2008: approximately RMB786,000).

FINANCIAL RESOURCES

As at 30 June 2009, the Group had bank balances and cash of approximately RMB2,063,000. The Company intends to finance the Group's future operations, capital expenditure and other capital requirements with the existing cash and bank balances.

GEARING RATIO

The Group's gearing ratios were approximately 98.3% and 97.3% as at 30 June 2009 and 31 December 2008 respectively. The gearing ratios were calculated based on total liabilities over total assets as at the respective balance sheet dates.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals during the six months ended 30 June 2009.

SEGMENTAL INFORMATION

The Group's products are divided into two kinds, namely card products and non-card products. Card products include IC cards, non-IC cards, IC chips and others. Non-card products include card peripheral equipment.

EMPLOYEE INFORMATION

As at 30 June 2009, the Group had 275 full time employees, comprising 44 in administration and finance, 16 in research and development and customer services, 38 in sales, 157 in production, 8 in purchases, and 12 in quality control.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2009, the Company pledged property, plant and equipment with carrying amount of approximately RMB7,887,000, land use right of approximately RMB2,430,000 and bank deposit of approximately RMB3,353,000 for banking facilities.

FUTURE PLANS FOR MATERIAL INVESTMENT OR CAPITAL ASSETS

The Directors do not have any future plans for material investment or capital assets as at 30 June 2009.

FOREIGN EXCHANGE EXPOSURE

Since most of the income and expenditure of the Group were received and paid in RMB, the local currency of the place where the Group principally operates in, the Directors do not consider that the Group was significantly exposed to any foreign currency exchange risk.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2009 and it is the same for the six months ended 30 June 2008.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2009.

DIRECTORS' AND SUPERVISOR'S RIGHTS TO ACQUIRE SHARES OR DEBENTURES

None of the Directors or supervisors (the "Supervisors") of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company or any other body corporate, or had exercised any such right as at 30 June 2009.

DISCLOSURE OF INTERESTS

(a) Directors', Chief Executive's and Supervisors' interests in shares of the Company

As at 30 June 2009, the interests and long positions of the Directors, the Chief Executive and the Supervisors and their respective associates in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the "SFO"), which are required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be recorded in the register required to be kept under section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the minimum standards of dealings by directors referred to in Rule 5.46 to 5.68 of the GEM Listing Rules were as follows:

Long positions in shares of the Company

Name of Director/ Chief Executive/ Supervisor	Capacity	Number and class of securities	Approximate percentage of domestic shares	Approximate percentage of total registered share capital
Mr. Li Qi Ming	Beneficial owner	229,840,000 domestic shares	71.87%	44.20%
Mr. Zhu Qing Feng	Beneficial owner	50,700,000 domestic shares	15.85%	9.75%
Mr. Li Wen Jun	Beneficial owner	3,380,000 domestic shares	1.06%	0.65%

Other than the holdings as disclosed above, none of the Company's directors, chief executives, supervisors, and their associates, had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 June 2009.

(b) Interests discloseable under SFO and substantial shareholders

So far as the Directors are aware, as at 30 June 2009, the persons or companies (not being a Director or chief executive of the Company) have interests and/or long positions in the shares or underlying shares of the Company which are required to be notified to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept under section 336 of the SFO, and who were directly or indirectly deemed to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company are listed as follows:

Name of substantial shareholders	Capacity	Number and class of securities	Approximate percentage of H shares	Approximate percentage of total registered share capital
Princeps MB Asset Management Corp.	Beneficial owner	11,416,000 H shares	5.70%	2.20%

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 30 June 2009.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the period was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

COMPETING INTERESTS

None of the Directors or the management shareholders of the Company or their respective associates (as defined under the GEM Listing Rules) had any interest in a business which competes or may compete with the business of the Company during the period under review.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry of all directors of the Company, all Directors of the Company confirm that they complied with such code of conduct throughout the period to 30 June 2009.

AUDIT COMMITTEE

The Company has established an audit committee since June 2004 with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control procedures of the Company and provide advice and comments to the Directors. The audit committee comprises three independent non-executive Directors, namely, Mr. Gao Xiang Nong, Ms. Wang Xiao Hong and Mr. Deng Xiao Bao.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Company and discussed internal controls and financial reporting matters. The audit committee has also reviewed the unaudited interim results of the Company for the six month ended 30 June 2009.

CORPORATE GOVERNANCE

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Listing Rules of the Stock Exchange save for the deviation from code provision A.2.1.

Chairman and the Chief Executive Officer

The role of chairman and chief executive officer of the Group rests on the same individual which deviates from the code provision in the Corporate Governance Code of not having a clear division of responsibilities. The Board is of the view that this has not compromised accountability and independent decision making for the following reasons:

- Audit Committee composed exclusively of independent non-executive directors; and
- The independent non-executive Directors have free and direct access to the Company's external auditors and independent professional advice when considered necessary.

Mr. Li, the executive chairman, is a substantial shareholder of the Group and has considerable industry experience. He is motivated to contribute to the growth and profitability of the Group. The Board is of the view that it is in the best interests of the Group to have an executive chairman so that the Board can have the benefit of a chairman who is knowledgeable about the business of the Group and is most capable to guide discussions and brief the Board in a timely manner on pertinent issues and developments to facilitate open dialogue between the Board and the management.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2009, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

DIRECTORS

As at the date hereof, the executive directors of the Company are Mr. Li Qi Ming, Mr. Zhu Qing Feng, Mr. Li Wen Jun, and Mr. Liu Guo Fei; and the independent non-executive directors of the Company are Mr. Gao Xiang Nong, Ms. Wang Xiao Hong and Mr. Deng Xiao Bao.

By Order of the Board

Li Qi Ming
Chairman

13 August 2009, Shenzhen, the PRC