

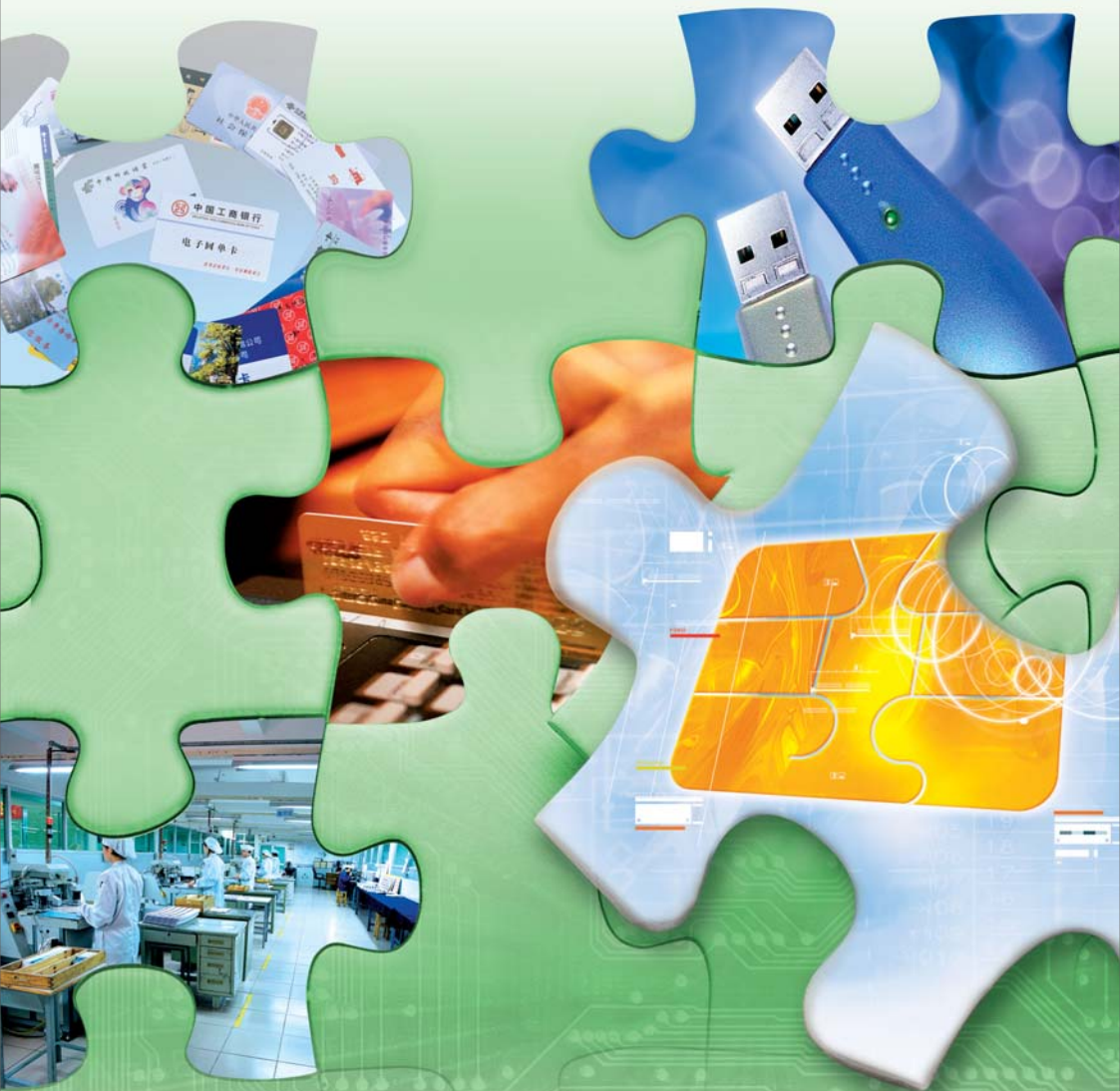


深圳市明華澳漢科技股份有限公司

Shenzhen Mingwah Aohan High Technology Corporation Ltd.*

(a joint stock limited company incorporated in the People's Republic of China)

Stock Code: 8301



* For identification purpose only

Interim Report 2010

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

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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.

HIGHLIGHTS

- For the six months ended 30 June 2010, unaudited turnover increased to approximately RMB47,248,000, which represents an approximate 112% increase as compared to that of the same period last year. The profit attributable to owners of the Company for the six months ended 30 June 2010 was approximately RMB216,000 (2009: loss of approximately RMB1,242,000).
- Earnings per share of the Group was approximately RMB0.04 cents for the six months ended 30 June 2010.

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 2010 together with comparative figures for the corresponding periods ended 30 June 2009, as follows:

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

For the three months and six months ended 30 June 2010 and 30 June 2009

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2009 RMB'000 (Unaudited)
Turnover	3	23,257	11,879	47,248	22,275
Cost of sales		(18,965)	(8,375)	(38,766)	(15,707)
Gross profit		4,292	3,504	8,482	6,568
Other operating income		26	225	26	348
Distribution costs		(800)	(641)	(2,103)	(1,295)
Administrative expenses		(2,395)	(1,514)	(4,241)	(3,711)
Other operating expenses		—	(139)	(108)	(139)
Profit from operations	5	1,123	1,435	2,056	1,771
Finance costs		(1,228)	(1,959)	(1,709)	(2,978)
Profit/(Loss) before taxation		(105)	(524)	347	(1,207)
Income tax (expense)/credit	6	41	(18)	(102)	(68)
Profit/(Loss) for the period		(64)	(542)	245	(1,275)
Other comprehensive income for the period		—	—	—	—
Total comprehensive income/ (loss) for the period		(64)	(542)	245	(1,275)
Attributable to:					
Owners of the Company		(40)	(489)	216	(1,242)
Non-controlling interests		(24)	(53)	29	(33)
		(64)	(542)	245	(1,275)
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		(40)	(489)	216	(1,242)
Non-controlling interests		(24)	(53)	29	(33)
		(64)	(542)	245	(1,275)
Dividend	7	—	—	—	—
Earnings/(Loss) per share					
– Basic (cents)	8	(0.01)	(0.09)	0.04	(0.24)
– Diluted (cents)		N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Financial Position*At 30 June 2010 and 31 December 2009*

	<i>Note</i>	2010 RMB'000 (Unaudited)	2009 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		14,881	5,959
Prepaid lease payments		2,307	12,308
		17,188	18,267
Current assets			
Inventories		9,949	9,476
Trade receivables	9	40,175	40,060
Other receivables		6,961	8,013
Prepaid lease payments		41	82
Amount due from a shareholder		500	500
Amount due from directors		221	221
Bank balances and cash		1,172	3,622
		59,019	61,974
Current liabilities			
Trade and other payables	10	65,255	54,312
Amount due to a director		—	3
Tax liabilities		7,351	7,035
Bank borrowings		—	15,535
		72,606	76,885
Net current liabilities		(13,587)	(14,911)
Net assets		3,601	3,356

	<i>Note</i>	2010 RMB'000 (Unaudited)	2009 RMB'000 (Audited)
Capital and reserves			
Share capital	11	52,000	52,000
Reserves		(48,715)	(48,931)
Equity attributable to owners of the Company		3,285	3,069
Non-controlling interests		316	287
Total equity		3,601	3,356

Unaudited Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 June 2010 and 30 June 2009*

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Statutory (Accumulated			Total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
			surplus reserve <i>RMB'000</i>	public welfare fund <i>RMB'000</i>	losses)/ retained profits <i>RMB'000</i>			
At 1 January 2009	52,000	17,574	5,954	2,978	(75,812)	2,694	219	2,913
Total comprehensive 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>
At 1 January 2010	52,000	17,574	5,954	2,978	(75,437)	3,069	287	3,356
Total comprehensive income for the period	—	—	—	—	216	216	29	245
At 30 June 2010	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(75,221)</u>	<u>3,285</u>	<u>316</u>	<u>3,601</u>

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2010 and 30 June 2009

	Six months ended	
	30 June	
	2010	2009
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	14,521	19,127
Net cash generated from/(used in) investing activities	273	(40)
Net cash used in financing activities	(17,244)	(25,758)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(2,450)	(6,671)
Cash and cash equivalents at beginning of the period	3,622	8,734
	<hr/>	<hr/>
Cash and cash equivalents at end of the period		
– represented by bank balances and cash	1,172	2,063
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Financial Statement

For the period ended 30 June 2010

1. GENERAL

The Company was established and registered as a joint stock company with limited liability 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. The accounting policies adopted are consistent with those followed in preparation of the Group's annual consolidated financial statements for the year ended 31 December 2009.

The HKICPA has issued certain and revised HKFRS that are first effective or available for early adoption for the current period of the Group. These new and revised HKFRSs have no significant impact on the results or the financial position of the Group for current and previous accounting periods.

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	
	2010 <i>RMB'000</i> <i>(Unaudited)</i>	2009 <i>RMB'000</i> <i>(Unaudited)</i>	2010 <i>RMB'000</i> <i>(Unaudited)</i>	2009 <i>RMB'000</i> <i>(Unaudited)</i>
Sales of card products	21,660	11,295	42,845	21,053
Sales of non-card products	1,597	584	4,403	1,222
	23,257	11,879	47,248	22,275

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.

For the six months ended 30 June 2010

	Card products RMB'000	Non-card products RMB'000	Consolidated RMB'000
Revenue			
External sales	<u>42,845</u>	<u>4,403</u>	<u>47,248</u>
Results			
Segment results	<u>1,765</u>	<u>116</u>	1,881
Unallocated bank interest income			41
Unallocated other operating income			26
Unallocated corporate income			<u>108</u>
Profit from operations			2,056
Finance costs			<u>(1,709)</u>
Profit before taxation			347
Income tax expense			<u>(102)</u>
Profit before non-controlling interests			245
Non-controlling interests			<u>(29)</u>
Net profit for the period			<u><u>216</u></u>

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	21,053	1,222	22,275
	<u> </u>	<u> </u>	<u> </u>
Results			
Segment results	1,466	96	1,562
	<u> </u>	<u> </u>	
Unallocated bank interest income			32
Unallocated other operating income			316
Unallocated corporate expenses			(139)
			<u> </u>
Profit from operations			1,771
Finance costs			(2,978)
			<u> </u>
Loss before taxation			(1,207)
Income tax expense			(68)
			<u> </u>
Loss before non-controlling interests			(1,275)
Non-controlling interests			33
			<u> </u>
Net loss for the period			<u> </u> <u> </u>

5. PROFIT/(LOSS) FROM OPERATIONS

Profit/(loss) from operations has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	17	533	29	1,058
Amortisation of prepaid lease payments	20	21	41	41
	<u>37</u>	<u>554</u>	<u>70</u>	<u>1,099</u>
Total depreciation and amortization	<u>37</u>	<u>554</u>	<u>70</u>	<u>1,099</u>

6. INCOME TAX (EXPENSE)/CREDIT

The (charge)/credit represents enterprise income tax in the PRC.

	For the three months ended 30 June		For the six months ended 30 June	
	2010	2009	2010	2009
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax				
Current period	41	(18)	(102)	(68)
	<u>41</u>	<u>(18)</u>	<u>(102)</u>	<u>(68)</u>

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 22% to 25% on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at 30 June 2009 and 30 June 2010.

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 2010 (2009: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share for the six months ended 30 June 2010 is based on the unaudited net profit for the relevant period of approximately RMB216,000 (2009: loss of approximately RMB1,242,000) and the weighted average number of 520,000,000 shares (2009: 520,000,000 shares).

Diluted earnings/(loss) 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:

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
1 to 90 days	15,714	21,913
91 to 180 days	4,355	8,774
181 to 365 days	6,810	4,399
Over 365 days	72,641	52,542
	<hr/>	<hr/>
	99,520	87,628
Less: Impairment for trade receivables	(59,345)	(47,568)
	<hr/>	<hr/>
	40,175	40,060
	<hr/> <hr/>	<hr/> <hr/>

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB24,461,000 (2009: approximately RMB19,793,000) 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 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
1-90 days	9,100	12,845
91-180 days	651	838
181-365 days	844	1,300
Over 365 days	6,012	9,092
	<hr/>	<hr/>
Trade payables	16,607	24,075
Value-added tax payable	12,645	12,729
Other payables	36,003	17,508
	<hr/>	<hr/>
	65,255	54,312
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade payables and other payables at 30 June 2010 approximates to the corresponding carrying amount.

11. SHARE CAPITAL

The share capital represents the nominal value of the Company of RMB0.1 each as at 30 June 2010.

12. CAPITAL COMMITMENTS

	30 June 2010 RMB'000 (Unaudited)	31 December 2009 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 2010 RMB'000 (Unaudited)	31 December 2009 RMB'000 (Audited)
Property, plant and equipment	—	8,083
Prepaid lease payment	—	2,390
	—	10,473

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 2010, the Group's unaudited turnover was approximately RMB47,248,000, representing an increase of approximately 112% as compared to the corresponding period last year. The Group has recorded a profit attributable to owners of the Company of approximately RMB216,000 (2009: a loss of approximately RMB1,242,000).

(II) Business Review

The Group's turnover for the six months ended 30 June 2010 was approximately RMB47,248,000, representing an increase of approximately 112% as compared to the corresponding period last year (2009: approximately RMB22,275,000). The main reason for the increase of the turnover was the increase of sale demand and the gradual recovery from the global economic downturn.

Because of the increase in sales, for the six months ended 30 June 2010, the Group's cost of sales was increased to approximately RMB38,766,000 (2009: approximately RMB15,707,000). The gross profit for the six months ended 30 June 2010 was approximately RMB8,482,000 (2009: RMB6,568,000). The gross profit margin was approximately 18% (2009: 29.5%). The underlying reason for such decrease was mainly attributable to the keen competition for price of card products.

When compared to the corresponding period last year, the cost of distribution was increased by 62.4% to approximately RMB2,103,000 (2009: approximately RMB1,295,000) mainly due to the increase in sales. The administrative expenses were increased by 14.3% to approximately RMB4,241,000 (2009: approximately RMB3,711,000) mainly due to the increase in sales.

For the six months ended 30 June 2010, the Group's profit attributable to owners of the Company was approximately RMB216,000 (2009: a loss of approximately RMB1,242,000).

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 WLAN Authentication and Privacy Infrastructure (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 reinforced our efforts in the R&D and technical co-operation for the technical products of WAPI under the WLAN Series in compliance with the PRC's specifications, and supplied the equipment already successfully used in the 2008 Olympic venues, which led to the introduction of WAPI products to the market. The Company has become the WAPI equipment supplier of China Mobile and China Unicom, with successful installation in various provinces. Following the comprehensive installation of WLAN (that is, WAPI) equipment by the top three telecommunication operators in the PRC in 2010, this technical product will become a new profit generator and highlight in the exploration of new markets for the Group.

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 2010, the Group had net current liabilities of approximately RMB13,587,000. Current assets as at 30 June 2010 comprise inventories of approximately RMB9,949,000, trade receivables of approximately RMB40,175,000, other receivables of approximately RMB6,961,000, prepaid lease payments of approximately RMB41,000, amount due from a shareholder of approximately RMB500,000, amounts due from directors of approximately RMB221,000, and bank balances and cash of approximately RMB1,172,000. Current liabilities as at 30 June 2010 comprise trade and other payables of approximately RMB65,255,000, tax liabilities of approximately RMB7,351,000.

CAPITAL COMMITMENTS

As at 30 June 2010, the Group had outstanding capital commitments of approximately RMB786,000 (as at 31 December 2009: approximately RMB786,000).

FINANCIAL RESOURCES

As at 30 June 2010, the Group had bank balances and cash of approximately RMB1,172,000. 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 95.3% and 95.8% as at 30 June 2010 and 31 December 2009 respectively. The gearing ratios were calculated based on total liabilities over total assets as at the respective end of reporting period.

MATERIAL ACQUISITIONS OR DISPOSALS

The Group had no material acquisitions or disposals during the six months ended 30 June 2010.

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 2010, 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 2010, the Company had not pledged any assets 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 2010.

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 2010 and it is the same for the six months ended 30 June 2009.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2010.

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 2010.

DISCLOSURE OF INTERESTS

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

As at 30 June 2010, 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 2010.

(b) Interests discloseable under SFO and substantial shareholders

So far as the Directors are aware, as at 30 June 2010, 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
Princes 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 2010.

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 2010.

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 2010.

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 2010, 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 2010, Shenzhen, the PRC