



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



Interim Report **2011**

* For identification purpose only

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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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 2011, unaudited turnover increased to approximately RMB60,241,000, which represents an approximate 27% increase as compared to the corresponding period in 2010. The profit attributable to owners of the Company for the six months ended 30 June 2011 was approximately RMB11,001,000 (2010: approximately RMB216,000).
- Earnings per share of the Group was approximately RMB2.12 cents for the six months ended 30 June 2011.

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 2011 together with comparative figures for the corresponding period ended 30 June 2010, as follows:

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

For the three months and six months ended 30 June 2011 and 30 June 2010

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)	2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Turnover	3	35,376	23,257	60,241	47,248
Cost of sales		(21,529)	(18,965)	(39,942)	(38,766)
Gross profit		13,847	4,292	20,299	8,482
Other operating income		40	26	117	26
Distribution costs		(1,998)	(800)	(3,210)	(2,103)
Administrative expenses		(1,823)	(2,395)	(4,709)	(4,241)
Other operating expenses		—	—	(62)	(108)
Profit from operations	5	10,066	1,123	12,435	2,056
Finance costs		(483)	(1,228)	(747)	(1,709)
Profit/(Loss) before taxation		9,583	(105)	11,688	347
Income tax (expense)/credit	6	(138)	41	(149)	(102)
Profit/(Loss) for the period		9,445	(64)	11,539	245
Other comprehensive income for the period		—	—	—	—
Total comprehensive income/ (loss) for the period		9,445	(64)	11,539	245
Attributable to:					
Owners of the Company		8,912	(40)	11,001	216
Non-controlling interests		533	(24)	538	29
		9,445	(64)	11,539	245
Total comprehensive income/ (loss) attributable to:					
Owners of the Company		8,912	(40)	11,001	216
Non-controlling interests		533	(24)	538	29
		9,445	(64)	11,539	245
Dividend	7	—	—	—	—
Earnings/(Loss) per share					
– Basic (cents)	8	1.71	(0.01)	2.12	0.04
– Diluted (cents)		N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Financial Position

At 30 June 2011 and 31 December 2010

	Note	2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment		14,865	14,647
Prepaid lease payments		2,185	2,226
Interest in a jointly controlled entity		—	—
		17,050	16,873
Current assets			
Inventories		11,101	9,654
Trade receivables	9	35,559	40,560
Other receivables		8,489	14,097
Prepaid lease payments		82	82
Bank balances and cash		7,039	4,188
		62,270	68,581
Current liabilities			
Trade and other payables	10	47,869	47,203
Amount due to a director		3,254	325
Tax liabilities		5,882	7,150
Borrowings		—	17,000
		57,005	71,678
Net current assets/(liabilities)		5,265	(3,097)
Total Assets less Current Liabilities		22,315	13,776
Non-current liabilities			
Borrowings		5,400	8,400
Net assets		16,915	5,376

	<i>Note</i>	2011 RMB'000 (Unaudited)	2010 RMB'000 (Audited)
Capital and reserves			
Share capital		52,000	52,000
Share premium and reserves		(36,514)	(47,515)
Equity attributable to owners of the Company		15,486	4,485
Non-controlling interests		1,429	891
Total equity		16,915	5,376

Unaudited Condensed Consolidated Statement of Changes in Equity*For the six months ended 30 June 2011 and 30 June 2010*

	Share capital	Share premium	Statutory surplus reserve	Statutory public welfare fund	Accumulated losses	Total	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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>
At 1 January 2011	52,000	17,574	5,954	2,978	(74,021)	4,485	891	5,376
Total comprehensive income for the period	—	—	—	—	11,001	11,001	538	11,539
At 30 June 2011	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(63,020)</u>	<u>15,486</u>	<u>1,429</u>	<u>16,915</u>

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2011 and 30 June 2010

	Six months ended	
	30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	23,398	14,521
Net cash (used in)/generated from investing activities	(203)	273
Net cash used in financing activities	(20,335)	(17,244)
	<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents	2,860	(2,450)
Cash and cash equivalents at beginning of the period	4,179	3,622
	<hr/>	<hr/>
Cash and cash equivalents at end of the period		
– represented by bank balances and cash	7,039	1,172
	<hr/> <hr/>	<hr/> <hr/>

Notes to the Condensed Financial Statements

For the period ended 30 June 2011

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 2010.

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	
	2011 <i>RMB'000</i> <i>(Unaudited)</i>	2010 <i>RMB'000</i> <i>(Unaudited)</i>	2011 <i>RMB'000</i> <i>(Unaudited)</i>	2010 <i>RMB'000</i> <i>(Unaudited)</i>
Sales of card products	35,286	21,660	58,866	42,845
Sales of non-card products	90	1,597	1,375	4,403
	35,376	23,257	60,241	47,248

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 announcements 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 2011

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue			
External sales	<u>58,866</u>	<u>1,375</u>	<u>60,241</u>
Results			
Segment results	<u>12,128</u>	<u>193</u>	<u>12,321</u>
Unallocated bank interest income			59
Unallocated other operating income			117
Unallocated corporate expense			<u>(62)</u>
Profit from operations			<u>12,435</u>
Finance costs			<u>(747)</u>
Profit before taxation			<u>11,688</u>
Income tax expense			<u>(149)</u>
Profit before non-controlling interests			<u>11,539</u>
Non-controlling interests			<u>(538)</u>
Net profit for the period			<u><u>11,001</u></u>

For the six months ended 30 June 2010

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue			
External sales	42,845	4,403	47,248
	<u>42,845</u>	<u>4,403</u>	<u>47,248</u>
Results			
Segment results	1,765	116	1,881
	<u>1,765</u>	<u>116</u>	<u>1,881</u>
Unallocated bank interest income			41
Unallocated other operating income			26
Unallocated corporate income			108
			<u>175</u>
Profit from operations			2,056
Finance costs			(1,709)
			<u>347</u>
Profit before taxation			347
Income tax expense			(102)
			<u>245</u>
Profit before non-controlling interests			245
Non-controlling interests			(29)
			<u>216</u>
Net profit for the period			<u>216</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	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Depreciation of property, plant and equipment	467	17	842	29
Amortisation of prepaid lease payments	20	20	41	41
	<u>467</u>	<u>17</u>	<u>842</u>	<u>29</u>
Total depreciation and amortization	<u>487</u>	<u>37</u>	<u>883</u>	<u>70</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	
	2011	2010	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PRC enterprise income tax				
Current period	138	41	149	(102)
	<u>138</u>	<u>41</u>	<u>149</u>	<u>(102)</u>

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 23% to 25% on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation as at 30 June 2011 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 2011 (2010: Nil).

8. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share for the six months ended 30 June 2011 is based on the unaudited net profit for the relevant period of approximately RMB11,001,000 (2010: approximately RMB216,000) and the weighted average number of 520,000,000 shares (2010: 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 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
1 to 90 days	16,324	19,320
91 to 180 days	3,144	8,066
181 to 365 days	6,105	8,341
Over 365 days	12,136	6,983
	37,709	42,710
Less: Impairment for trade receivables	(2,150)	(2,150)
	35,559	40,560

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB19,235,000 (2010: approximately RMB12,594,000) 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 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
1-90 days	2,660	5,802
91-180 days	483	571
181-365 days	288	3,441
Over 365 days	2,533	9,236
	<hr/>	<hr/>
Trade payables	5,964	19,050
Value-added tax payable	17,924	14,919
Deposit from customers	151	151
Other payables	23,830	13,083
	<hr/>	<hr/>
	47,869	47,203
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade payables and other payables at 30 June 2011 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 2011.

12. CONTINGENT LIABILITIES

Legal claim from 上海復旦微電子股份有限公司

On 28 December 2010, a legal action was taken by 上海復旦微電子股份有限公司 against the Company and its subsidiary, Sihui Mingwah Aohan High Technology Company Limited ("Shihui"), for an outstanding amount with accrued interest of approximately RMB4,000,000 relating to the purchase of goods.

On 21 January 2011, a settlement agreement "民事調解書(2010)深福法民二初字第 10037 號 220 號" was issued by 廣東省深圳市福田區人民法院. The Company and Sihui agreed to pay an amount of approximately RMB3,600,000 to 上海復旦微電子股份有限公司 on or before 20 July 2011 as a full settlement of debt. However, it has not yet been settled up to 30 June 2011.

The amount involved in the above legal claim against the Group had been recorded as liabilities for the Group. In light of this, the directors consider that there were no further significant liabilities incurred as at 30 June 2011.

13. CAPITAL COMMITMENTS

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Capital injection in a jointly controlled entity contracted for but not provided in the financial statements	786	786

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 2011, the Group's unaudited turnover was approximately RMB60,241,000, representing an increase of approximately 27% as compared to the corresponding period in 2010. The Group has recorded a profit attributable to owners of the Company of approximately RMB11,001,000 (2010: approximately RMB216,000).

(II) Business Review

The Group's turnover for the six months ended 30 June 2011 was approximately RMB60,241,000, representing an increase of approximately 27% as compared to the corresponding period last year (2010: approximately RMB47,248,000). 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 2011, the Group's cost of sales was increased to approximately RMB39,942,000 (2010: approximately RMB38,766,000). The gross profit for the six months ended 30 June 2011 was approximately RMB20,299,000 (2010: RMB8,482,000). The gross profit margin was approximately 34% (2010: 18%). The underlying reason for such increase was mainly attributable to the increase in some sales with higher margin.

When compared to the corresponding period last year, the cost of distribution was increased by 52.6% to approximately RMB3,210,000 (2010: approximately RMB2,103,000) mainly due to the increase in sales. The administrative expenses were increased by 11% to approximately RMB4,709,000 (2010: approximately RMB4,241,000) mainly due to more staff employed.

For the six months ended 30 June 2011, the Group's profit attributable to owners of the Company was approximately RMB11,001,000 (2010: approximately RMB216,000).

1. Adjustment of Key Sales Strategies

As the Group's general memory card business faced keen competition for the market prices, the Group has gradually strengthened its R&D and sales of high profit value-added products such as CPU Card and eKey, and also reinforced the marketing of WLAN Authentication and Privacy Infrastructure (WAPI) products of the new WLAN Series. Following the deepening implementation of the National Electronic Signature Law and second-generation electronic identity in various fields and industries, the application associated with identity security certification systems was expanded. eKey, the Group's high-end encrypted information security product, has secured a bigger market share and greater strengths over its competitiveness in such markets.

We have expanded the COS software and hardware systems relating to identity card security certification. The Company's Renzhengtong (認證通) business was beginning to take shape. Various technologies and cloud computing technology integrating network security have been launched and we expects to make a significant breakthrough in sales if such technologies are applied in the huge online shopping market in the PRC.

2. Research and Development and Technical Support

We continued to proceed with the R&D of high-end products such as eKey, the Smart Card Operating System (SCOS) and Radio Frequency Identification (RFID) electronic label system. The SCOS has been upgraded to meet the changing needs of industrial applications and development platforms for new chips.

The Group will focus on investing in outdoor and indoor consumer terminal products, including application terminals used in medical, library records, animal and plant management.

The Group will invest in the research and development of Internet network application technology and computing technology and launch various system integration products and services based on online shopping and supermarket shopping.

3. External Cooperation

We strengthened the integration of identity card certification systems in which it acted as an agent and fully leveraged the Company's brand and sales network to expand the market.

4. Exploration of Overseas Markets

The Company continued to enhance its efforts in international marketing and sales and promoted its newly launched terminal products and cloud computing network system integration products in the international market.

(III) Business Prospect

The Group's established goal is to become the leader in the PRC's card and terminal system product industry, turn "M&W" into a renowned brand in the PRC's smart card and terminal system industry and focus on high-end products in the sector of security technology. The Group anticipates cloud computing technology products and online shopping security products and consumer terminals will have good performance in the second half year.

1. Technical Research and Development

The Group will continue to launch the R&D of optimizing the SCOS to meet the standards of Europay Master Card and Visa specifications, develop the operating system in compliance with the new specifications of the "ETC Non-Stop Toll Collection Systems" in accordance with the Ministry of Transportation as well as the noncontact COS systems in accordance with the Ministry of Construction, and establish a leading domestic team with the capabilities of the wireless UHF design.

We will continue to promote the serialization and marketization of the RFID electronic products, and launch various RFID-based indoor and outdoor terminal system facilities.

2. Marketing Strategy

On the premise of consolidating the existing market share, the Group will continue to explore the applications of its eKey products for the major commercial bank networks and e-government in the PRC, enlarge its market share and explore its applications for other sectors of information security.

The marketing strategy of CPU Card is to consolidate and promote its applications for the key industries such as social insurance and banking on a continuous basis.

The Group will make use of large convention marketing systems to promote integrated system products based on cloud computing terminals.

3. Management and Operation

The Group will optimize its corporate ERP system, upgrade its corporate management standard, and carry out a centralized procurement and distribution system as well as a central fund-allocating system for the Group, so as to further maximize its application of capital resources.

The Group will continue to reinforce the implementation of a budget control system for administration expenses and impose an expense status feedback mechanism for designated projects. We will strengthen examination on contracts as well as the control and management of receivables in the financial operation, in order to control the risks associated with the Group's operation. We will also strengthen the management of various distribution branches and implement more stringent and effective centralized management regarding contracts and distribution.

Enhanced management is provided for various sales branches, complemented with more stringent and effective centralization of contracts and unified management of distribution.

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 2011, the Group had net current assets of approximately RMB5,265,000. Current assets as at 30 June 2011 comprise inventories of approximately RMB11,101,000, trade receivables of approximately RMB35,559,000, other receivables of approximately RMB8,489,000, prepaid lease payments of approximately RMB82,000, and bank balances and cash of approximately RMB7,039,000. Current liabilities as at 30 June 2011 comprise trade and other payables of approximately RMB47,869,000, amount due to a director of approximately RMB3,254,000, tax liabilities of approximately RMB5,882,000.

CAPITAL COMMITMENTS

As at 30 June 2011, the Group had outstanding capital commitments of approximately RMB786,000 (as at 31 December 2010: approximately RMB786,000).

FINANCIAL RESOURCES

As at 30 June 2011, the Group had bank balances and cash of approximately RMB7,039,000. 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 78.7% and 93.7% as at 30 June 2011 and 31 December 2010 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 2011.

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 2011, the Group had 295 full time employees, comprising 48 in administration and finance, 18 in research and development and customer services, 49 in sales, 157 in production, 8 in purchases, and 15 in quality control.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2011, 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 2011.

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

Legal claim from 上海復旦微電子股份有限公司

On 28 December 2010, a legal action was taken by 上海復旦微電子股份有限公司 against the Company and its subsidiary, Sihui Mingwah Aohan High Technology Company Limited ("Shihui"), for an outstanding amount with accrued interest of approximately RMB4,000,000 relating to the purchase of goods.

On 21 January 2011, a settlement agreement "民事調解書(2010)深福法民二初字第 10037 號 220 號" was issued by 廣東省深圳市福田區人民法院. The Company and Sihui agreed to pay an amount of approximately RMB3,600,000 to 上海復旦微電子股份有限公司 on or before 20 July 2011 as a full settlement of debt. However, it has not yet been settled up to 30 June 2011.

The amount involved in the above legal claim against the Group had been recorded as liabilities for the Group. In light of this, the directors consider that there were no further significant liabilities incurred as at 30 June 2011.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2011.

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 2011.

DISCLOSURE OF INTERESTS

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

As at 30 June 2011, 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	Approximate
			percentage of domestic shares	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 2011.

(b) Interests discloseable under SFO and substantial shareholders

So far as the Directors are aware, as at 30 June 2011, no 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.

SHARE OPTION SCHEME

The Company has not granted or issued any option up to 30 June 2011.

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 2011.

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 announcement 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 announcement matters. The audit committee has also reviewed the unaudited interim results of the Company for the six month ended 30 June 2011.

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.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2011, 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

12 August 2011, Shenzhen, the PRC