



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

2013

INTERIM REPORT



* For identification purpose only

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This report, for which the directors (the “Directors”) of Shenzhen Mingwah Aohan High Technology Corporation Limited (the “Company”, together with its subsidiaries, the “Group”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief: (i) the information contained in this report is accurate and complete in all material respects and not misleading; (ii) there are no other matters the omission of which would make any statement in this report misleading; and (iii) 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 2013, unaudited turnover decreased to approximately RMB11,004,000, which represents a decrease of approximately of 36% over the corresponding period in 2012. The loss attributable to owners of the Company for the six months ended 30 June 2013 was approximately RMB1,112,000 (2012: RMB1,429,000).
- Loss per share of the Group was approximately RMB0.21 cents for the six months ended 30 June 2013.

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 2013 together with comparative figures for the corresponding period ended 30 June 2012, as follows:

THE FINANCIAL STATEMENTS

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 June 2013 and 30 June 2012

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)	2013 RMB'000 (Unaudited)	2012 RMB'000 (Unaudited)
Turnover	3	3,873	8,420	11,004	17,213
Cost of sales		(2,626)	(6,637)	(8,266)	(13,291)
Gross profit		1,247	1,783	2,738	3,922
Other operating income		604	32	649	32
Distribution costs		(569)	(1,123)	(1,177)	(2,029)
Administrative expenses		(1,760)	(1,553)	(3,327)	(3,475)
Other operating expenses		(1)	(63)	(1)	(79)
Loss from operations	5	(479)	(924)	(1,118)	(1,629)
Finance costs		(4)	—	(9)	(9)
Loss before taxation		(483)	(924)	(1,127)	(1,638)
Income tax expense	6	—	(95)	—	(95)
Loss for the period		(483)	(1,019)	(1,127)	(1,733)
Other comprehensive income for the period		—	—	—	—
Total comprehensive loss for the period		(483)	(1,019)	(1,127)	(1,733)
Attributable to:					
Owners of the Company		(498)	(882)	(1,112)	(1,429)
Non-controlling interests		15	(137)	(15)	(304)
		(483)	(1,019)	(1,127)	(1,733)
Total comprehensive loss attributable to:					
Owners of the Company		(498)	(882)	(1,112)	(1,429)
Non-controlling interests		15	(137)	(15)	(304)
		(483)	(1,019)	(1,127)	(1,733)
Dividend	7	—	—	—	—
Loss per share					
— Basic (cents)	8	(0.10)	(0.17)	(0.21)	(0.27)
— Diluted (cents)		N/A	N/A	N/A	N/A

Unaudited Condensed Consolidated Statement of Financial Position

At 30 June 2013 and 31 December 2012

	<i>Note</i>	2013 RMB'000 (Unaudited)	2012 <i>RMB'000</i> <i>(Audited)</i>
Non-current assets			
Property, plant and equipment		<u>3,221</u>	<u>3,508</u>
Current assets			
Inventories		4,018	3,667
Trade receivables	9	24,792	22,046
Other receivables		8,810	10,390
Bank balances and cash		<u>1,413</u>	<u>2,075</u>
		39,033	38,178
Current liabilities			
Trade and other payables	10	34,069	32,340
Amount due to a director		—	45
Income tax payable		14	3
Loan from a former minority shareholder		<u>6,853</u>	<u>6,853</u>
		40,936	39,241
Net current liabilities		<u>(1,903)</u>	<u>(1,063)</u>
Total assets less current liabilities		<u>1,318</u>	<u>2,445</u>
Net assets		<u>1,318</u>	<u>2,445</u>

	<i>Note</i>	2013 RMB'000 (Unaudited)	2012 <i>RMB'000</i> <i>(Audited)</i>
Capital and reserves			
Share capital	11	52,000	52,000
Reserves		(51,304)	(50,192)
		<hr/>	<hr/>
Equity attributable to owners of the Company		696	1,808
Non-controlling interests		622	637
		<hr/>	<hr/>
Total equity		1,318	2,445
		<hr/> <hr/>	<hr/> <hr/>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2013 and 30 June 2012

	Share capital	Share premium	Statutory		Accumulated losses	Total	Non- controlling interests	Total
			surplus reserve	public welfare fund				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2012	52,000	17,574	5,954	2,978	(72,902)	5,604	500	6,104
Total comprehensive loss for the period	—	—	—	—	(1,429)	(1,429)	(304)	(1,733)
At 30 June 2012	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(74,331)</u>	<u>4,175</u>	<u>196</u>	<u>4,371</u>
At 1 January 2013	52,000	17,574	5,954	2,978	(76,698)	1,808	637	2,445
Total comprehensive loss for the period	—	—	—	—	(1,112)	(1,112)	(15)	(1,127)
At 30 June 2013	<u>52,000</u>	<u>17,574</u>	<u>5,954</u>	<u>2,978</u>	<u>(77,810)</u>	<u>696</u>	<u>622</u>	<u>1,318</u>

Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2013 and 30 June 2012

	Six months ended	
	30 June	
	2013	2012
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(192)	(796)
Net cash used in investing activities	(470)	(30)
Net decrease in cash and cash equivalents	(662)	(826)
Cash and cash equivalents at beginning of the period	2,075	2,612
Cash and cash equivalents at end of the period		
— represented by bank balances and cash	1,413	1,786

Notes to the Condensed Financial Statements

For the period ended 30 June 2013

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 2012.

The HKICPA has issued certain new 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 gross invoiced value of goods sold, net of value added tax, sale returns and discounts to outside customers, and are summarised as follows:

	For the three months ended 30 June		For the six months ended 30 June	
	2013 <i>RMB'000</i> <i>(Unaudited)</i>	2012 <i>RMB'000</i> <i>(Unaudited)</i>	2013 <i>RMB'000</i> <i>(Unaudited)</i>	2012 <i>RMB'000</i> <i>(Unaudited)</i>
Sales of card products	3,232	7,288	8,922	14,569
Sales of non-card products	641	1,132	2,082	2,644
	<u>3,873</u>	<u>8,420</u>	<u>11,004</u>	<u>17,213</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 related services. 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 2013

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue			
External sales	<u>8,922</u>	<u>2,082</u>	<u>11,004</u>
Results			
Segment results	<u>(1,591)</u>	<u>(175)</u>	<u>(1,766)</u>
Unallocated bank interest income			20
Unallocated other operating income			629
Unallocated corporate expense			<u>(1)</u>
Loss from operations			<u>(1,118)</u>
Finance costs			<u>(9)</u>
Loss before taxation			<u>(1,127)</u>
Income tax expense			<u>—</u>
Loss before non-controlling interests			<u>(1,127)</u>
Non-controlling interests			<u>15</u>
Net loss for the period			<u><u>(1,112)</u></u>

Shenzhen Mingwah Aohan High Technology Corporation Ltd.

For the six months ended 30 June 2012

	Card products RMB'000 (Unaudited)	Non-card products RMB'000 (Unaudited)	Consolidated RMB'000 (Unaudited)
Revenue			
External sales	<u>14,569</u>	<u>2,644</u>	<u>17,213</u>
Results			
Segment results	<u>(1,582)</u>	<u>(32)</u>	(1,614)
Unallocated bank interest income			32
Unallocated corporate expense			<u>(47)</u>
Loss from operations			(1,629)
Finance costs			<u>(9)</u>
Loss before taxation			(1,638)
Income tax expense			<u>(95)</u>
Loss before non-controlling interests			(1,733)
Non-controlling interests			<u>304</u>
Net loss for the period			<u>(1,429)</u>

5. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	For the three months ended 30 June		For the six months ended 30 June	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	378	382	757	793

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	
	2013	2012	2013	2012
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
PRC enterprise income tax				
Current period	<u>—</u>	<u>95</u>	<u>—</u>	<u>95</u>

PRC enterprise income tax of the Group is calculated at the applicable rate ranging from 24% to 25% on estimated assessable profits.

The Group does not have any significant unprovided deferred taxation for the six months ended 30 June 2013 (2012: Nil).

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 2013 (2012: Nil).

8. LOSS PER SHARE

The calculation of the basic loss per share for the six months ended 30 June 2013 is based on the unaudited net loss for the relevant period of approximately RMB1,112,000 (2012: RMB1,429,000) and the weighted average number of 520,000,000 shares (2012: 520,000,000 shares).

Diluted 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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
1 to 90 days	11,561	10,082
91 to 180 days	5,176	6,164
181 to 365 days	4,118	5,227
Over 365 days	3,937	573
	24,792	22,046

Included in the Group's trade receivables balance are debtors with a carrying amount of approximately RMB8,055,000 (2012: RMB7,716,000) 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 2013 RMB'000 (Unaudited)	31 December 2012 RMB'000 (Audited)
1-90 days	2,661	4,310
91-180 days	986	427
181-365 days	426	30
Over 365 days	2,623	6,189
	<hr/>	<hr/>
Trade payables	6,696	10,956
Value-added tax payable	12,030	12,942
Other payables	15,343	8,442
	<hr/>	<hr/>
	34,069	32,340
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the Group's trade payables and other payables at 30 June 2013 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 2013.

12. LITIGATIONS

On 28 December 2010, a legal claim action was taken by Shanghai Fudan Electronic Corporation Limited (上海復旦微電子股份有限公司) (“Shanghai Fudan”) against the Company and Sihui Mingwah Aohan High Technology Co., Limited (“Sihui”) 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 was issued by Guangdong Province Shenzhen City Fu Tian District People’s Court (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 Shanghai Fudan on or before 20 July 2011 as a full settlement of debt. However, the amount was not settled by the stipulated date and Shanghai Fudan has further taken legal action for the claim together with accrued interest of approximately RMB121,000 against the Company on 7 February 2012. The amount has still not been settled up to the date of this report.

13. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2013 and 31 December 2012.

14. CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30 June 2013 and 31 December 2012.

15. 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 2013, the Group's unaudited turnover was approximately RMB11,004,000, representing a decrease of approximately 36% over the corresponding period in 2012. The Group has recorded a loss attributable to owners of the Company of approximately RMB1,112,000 (2012: RMB1,429,000).

(II) Business Review

The Group's turnover of the six months ended 30 June 2013 was approximately RMB11,004,000, representing a decrease of approximately 36% as compared with approximately RMB17,213,000 recorded in last corresponding period. The decrease of the turnover was mainly due to keen competition which caused a sharp decrease in demand for card products in the PRC.

Because of the decrease in sales, for the six months ended 30 June 2013, the Group's cost of sales decreased to approximately RMB8,266,000 (2012: RMB13,291,000). The gross profit for the six months ended 30 June 2013 was approximately RMB2,738,000 (2012: RMB3,922,000). The gross profit margin was approximately 25% (2012: 23%). 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 decreased by 42% to approximately RMB1,177,000 (2012: RMB2,029,000) mainly due to the decrease in sales. The administrative expenses decreased by 4% to approximately RMB3,327,000 (2012: RMB3,475,000) mainly due to less staff employed.

For the six months ended 30 June 2013, the Group's loss attributable to owners of the Company was approximately RMB1,112,000 (2012: RMB1,429,000).

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.

The Group aims at becoming the leading player in the PRC's smart card manufacturing industry, promoting the brand name of "M&W" as a recognized brand in the PRC's smart card industry and placing great emphasis on the development of high-end products in the field of information security. In recognition of 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 the card business with an objective to achieve business diversification of the Group.

2. Research and Development and Technical Support

The Group will continue to put extensive effort in the marketing of eKey and smart cards, as well as strengthen the research and development of its products, in order to enlarge its market share. The Group will adhere to its operating strategies and objectives, with an aim to maintain its edge in the market and technology advancement.

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 2013, the Group had net current liabilities of approximately RMB1,903,000. Current assets as at 30 June 2013 comprise inventories of approximately RMB4,018,000, trade receivables of approximately RMB24,792,000, other receivables of approximately RMB8,810,000, and bank balances and cash of approximately RMB1,413,000. Current liabilities as at 30 June 2013 comprise trade and other payables of approximately RMB34,069,000, income tax payable of approximately RMB14,000 and loan from a former minority shareholder of approximately RMB6,853,000.

CAPITAL COMMITMENTS

The Group had no significant capital commitments as at 30 June 2013 and 31 December 2012.

FINANCIAL RESOURCES

As at 30 June 2013, the Group had bank balances and cash of approximately RMB1,413,000. 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 96.9% and 94.1% as at 30 June 2013 and 31 December 2012 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 2013.

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 related services. Non-card products include card peripheral equipment.

EMPLOYEE INFORMATION

As at 30 June 2013, the Group had 135 full time employees, comprising 16 in administration and finance, 25 in research and development and customer services, 48 in sales, 36 in production, 3 in purchases, and 7 in quality control.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2013, 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 2013.

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.

LITIGATIONS

On 28 December 2010, a legal claim action was taken by Shanghai Fudan Electronic Corporation Limited (上海復旦微電子股份有限公司) ("Shanghai Fudan") against the Company and Sihui Mingwah Aohan High Technology Co., Limited ("Sihui") 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 was issued by Guangdong Province Shenzhen City Fu Tian District People's Court (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 Shanghai Fudan on or before 20 July 2011 as a full settlement of debt. However, the amount was not settled by the stipulated date and Shanghai Fudan has further taken legal action for the claim together with accrued interest of approximately RMB121,000 against the Company on 7 February 2012. The amount has still not been settled up to the date of this report.

CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2013 and 31 December 2012.

SIGNIFICANT INVESTMENT HELD

The Group did not have any significant investment held as at 30 June 2013.

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 2013.

DISCLOSURE OF INTERESTS

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

As at 30 June 2013, 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 5.67 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%

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 2013.

(b) Interests discloseable under SFO and substantial shareholders

So far as the Directors are aware, as at 30 June 2013, 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 2013.

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 2013.

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. Chen Hong Lei.

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 2013.

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 15 of the Listing Rules of the Stock Exchange.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES

During the six months ended 30 June 2013, 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, 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. Chen Hong Lei.

By Order of the Board

Li Qi Ming

Chairman

13 August 2013, Shenzhen, the PRC