Interim Report 2011

DBA Telecommunication (Asia) Holdings Limited
DBA 電訊(亞洲)控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3335)

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yu Longrui
(Chairman and Chief Executive Officer)
Mr. Zheng Feng
Mr. Yu Longhui
Mr. Chan Wai Chuen
Mr. Yeung Shing

Independent Non-executive Directors

Mr. Zheng Qingchang
Mr. Yu Lun
Mr. Yun Lok Ming

AUTHORIZED REPRESENTATIVES

Mr. Yeung Shing
Mr. Chan Wai Chuen

AUDIT COMMITTEE

Mr. Zheng Qingchang *(Chairman)*
Mr. Yu Lun
Mr. Yun Lok Ming

REMUNERATION COMMITTEE

Mr. Zheng Qingchang *(Chairman)*
Mr. Yu Lun
Mr. Yun Lok Ming

COMPANY SECRETARY

Mr. Chan Wai Chuen

AUDITOR

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
34/F., The Lee Gardens
33 Hysan Avenue
Causeway Bay
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LEGAL ADVISORS

(As to Hong Kong law)
Fred Kan & Co.

(As to Cayman Islands Law)
Maples and Calder

(As to the PRC law)
Chen & Co.

PRINCIPAL BANKERS

Agricultural Bank of China
Standard Chartered Bank (Hong Kong) Limited

The board of directors (the "Board") of DBA Telecommunication (Asia) Holdings Limited (the "Company") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together the "Group") for the six months ended 30 June 2011, together with the comparative figures of the corresponding period in 2010.

These condensed consolidated interim financial statements have not been audited, but have been reviewed by the Company's audit committee and the Company's external auditor in accordance with the Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

FINANCIAL HIGHLIGHTS

For the six months ended 30 June

	2011 ***RMB'000*** **(Unaudited)**	2010 *RMB'000* (Unaudited)	Increase %
Turnover			
Information technology business	**454,900**	363,988	25.0
Intelligent self-service business	**1,990,444**	1,164,670	70.9
Agency business for telecommunication products	**15,007**	14,991	0.1
	2,460,351	1,543,649	59.4
EBIT	**216,919**	143,618	51.0
Profits attributable to shareholders	**172,479**	91,305	88.9

REPORT ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Crowe Horwath

國富浩華(香港)會計師事務所有限公司
Crowe Horwath (HK) CPA Limited
Member Crowe Horwath International

34/F The Lee Gardens,
33 Hysan Avenue,
Causeway Bay, Hong Kong

TO THE BOARD OF DIRECTORS OF
DBA TELECOMMUNICATION (ASIA) HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial statements set out on pages 8 to 31, which comprise the condensed consolidated statement of financial position of DBA Telecommunication (Asia) Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") as of 30 June 2011 and the related condensed consolidated income statement, condensed consolidated statement of comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

The directors are responsible for the preparation and presentation of these interim financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these interim financial statements based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review of the interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Crowe Horwath (HK) CPA Limited
Certified Public Accountants
Hong Kong, 23 August 2011

Betty P.C. Tse
Practising Certificate Number P03024

CONDENSED CONSOLIDATED INCOME STATEMENT

	Note	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Turnover	5	**2,460,351**	1,543,649
Cost of sales		**(2,165,014)**	(1,332,725)
Gross profit		**295,337**	210,924
Other revenue	5	**7,218**	3,805
Selling and distribution expenses		**(67,344)**	(37,686)
General and administrative expenses		**(18,292)**	(33,425)
Profit from operations		**216,919**	143,618
Finance costs	6	**(8,030)**	(22,991)
Profit before taxation	6	**208,889**	120,627
Income tax	7	**(36,410)**	(29,322)
Profit for the period		**172,479**	91,305
Attributable to:			
Owners of the Company		**172,479**	91,305
		RMB	*RMB*
Earnings per share	9		
– basic		**16.62 cents**	8.80 cents
– diluted		**16.55 cents**	8.58 cents

The notes on pages 14 to 31 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Six months ended 30 June	
	2011	2010
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period	**172,479**	91,305
Other comprehensive loss for the period		
Exchange differences on translation of:		
– financial statements of companies outside Mainland China, net of nil tax	**(281)**	(696)
Total comprehensive income for the period	**172,198**	90,609
Attributable to:		
Owners of the Company	**172,198**	90,609

The notes on pages 14 to 31 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Non-current assets			
Prepaid lease payments		9,638	9,754
Property, plant and equipment	10	513,994	530,491
Intangible assets		4,955	5,233
		528,587	545,478
Current assets			
Inventories		363,680	314,942
Trade receivables	11	409,529	352,081
Prepayments, deposits and other receivables	12	168,670	154,180
Cash and cash equivalents	13	516,352	495,773
		1,458,231	1,316,976
Current liabilities			
Trade and bills payables	14	54,950	57,637
Accruals and other payables	15	49,470	55,706
Amount due to a director	16	12	84
Bank loans	17	30,000	30,000
Bonds payable	18	112,491	156,107
Dividends payable	8	17,596	–
Tax payables		19,990	19,093
		(284,509)	(318,627)
Net current assets		1,173,722	998,349
Total assets less current liabilities		1,702,309	1,543,827
Non-current liabilities			
Bank loans	17	(100,000)	(100,000)
NET ASSETS		1,602,309	1,443,827
CAPITAL AND RESERVES			
Share capital	20	108,198	107,900
Share premium and reserves		1,494,111	1,335,927
SHAREHOLDERS' EQUITY		1,602,309	1,443,827

The notes on pages 14 to 31 form part of these interim financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2011

	Share capital RMB'000	Share premium RMB'000 (Note a)	Merger reserve RMB'000 (Note b)	General reserve RMB'000 (Note c)	Exchange reserve RMB'000 (Note d)	Special reserve RMB'000 (Note e)	Share option reserve RMB'000 (Note f)	Convertible bonds equity reserve RMB'000 (Note g)	Retained profits RMB'000	Sub-total RMB'000	Total RMB'000
		Share premium and reserves									
Changes in equity for the six months ended 30 June 2011											
As at 1 January 2011 (audited)	107,900	215,491	(57,000)	268,347	(41,490)	79,201	8,861	-	862,517	1,335,927	1,443,827
Profit for the period	-	-	-	-	-	-	-	-	172,479	172,479	172,479
Other comprehensive (loss)/income	-	-	-	-	(281)	-	-	-	-	(281)	(281)
Total comprehensive (loss)/income for the period	-	-	-	-	(281)	-	-	-	172,479	172,198	172,198
Transfer to reserve	-	-	-	25,600	-	-	-	-	(25,600)	-	
Exercise of share options	298	3,986	-	-	-	-	(532)	-	-	3,454	3,752
Lapse of share options	-	-	-	-	-	-	(1,303)	-	1,303	-	-
Recognition of equity-settled share-based payment	-	-	-	-	-	-	128	-	-	128	128
Dividends approved in respect of the previous year	-	-	-	-	-	-	-	-	(17,596)	(17,596)	(17,596)
As at 30 June 2011 (unaudited)	108,198	219,477	(57,000)	293,947	(41,771)	79,201	7,154	-	993,103	1,494,111	1,602,309
Changes in equity for the six months ended 30 June 2010											
As at 1 January 2010 (audited)	107,900	215,491	(57,000)	226,939	(41,173)	79,201	9,330	648	665,693	1,099,129	1,207,029
Profit for the period	-	-	-	-	-	-	-	-	91,305	91,305	91,305
Other comprehensive loss	-	-	-	-	(696)	-	-	-	-	(696)	(696)
Total comprehensive (loss)/income for the period	-	-	-	-	(696)	-	-	-	91,305	90,609	90,609
Transfer to reserve	-	-	-	10,817	-	-	-	-	(10,817)	-	-
Redemption of Convertible bonds	-	-	-	-	-	-	-	(648)	-	(648)	(648)
Cancellation of share options	-	-	-	-	-	-	(1,421)	-	1,421	-	-
Recognition of equity-settled share-based payment	-	-	-	-	-	-	699	-	-	699	699
As at 30 June 2010 (unaudited)	107,900	215,491	(57,000)	237,756	(41,869)	79,201	8,608	-	747,602	1,189,789	1,297,689

The notes on pages 14 to 31 form part of these interim financial statements.

Notes:

(a) Share premium

Under the Companies Law (revised) of the Cayman Islands, the share premium account of the Company is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(b) Merger reserve

Merger reserve represents the excess of purchase consideration paid in respect of the acquisition of Fujian Create State Industry Co., Ltd. over the amount of the paid-up capital of Fujian Create State Industry Co., Ltd. acquired.

(c) General reserve

General reserve comprises statutory surplus fund and enterprise expansion fund which are non-distributable. Appropriations to such reserves are made out of net profit after taxation of the statutory financial statements of the PRC subsidiaries while the amount and allocation basis are decided by their board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied in conversion into capital by means of capitalisation issues. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation issue.

(d) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Mainland China.

(e) Special reserve

The special reserve represents the differences between the nominal values and premium of the shares of the subsidiaries acquired and the nominal value of the Company's shares issued for their acquisition at the time of reorganisation.

(f) Share option reserve

The share option reserve of the Company and the Group arises on the grant of share options of the Company.

(g) Convertible bonds equity reserve

The convertible bonds equity reserve represents the value of the unexercised equity component of convertible bonds issued by the Company.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Six months ended 30 June **2011** *RMB'000* (Unaudited)	2010 *RMB'000* (Unaudited)
Cash generated from/(used in) operation		**105,375**	(55,006)
PRC enterprise income tax paid		**(35,513)**	(39,138)
Net cash generated from/(used in) operating activities		**69,862**	(94,144)
Net cash used in investing activities		**(3,060)**	(7,053)
Net cash (used in)/generated from financing activities		**(45,942)**	86,485
Net increase/(decrease) in cash and cash equivalents		**20,860**	(14,712)
Cash and cash equivalents at 1 January		**475,773**	740,832
Effect of foreign exchange rates changes		**(281)**	(696)
Cash and cash equivalents at 30 June	*13*	**496,352**	725,424

The notes on pages 14 to 31 form part of these interim financial statements.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

1. General information

DBA Telecommunication (Asia) Holdings Limited (the "Company") was incorporated as an exempted company and registered in the Cayman Islands with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The addresses of the registered office and principal place of business of the Company are P.O. Box 309 GT, Ugland House, South Church Street, George Town, Grand Cayman, Cayman Islands and Unit 2307, 23rd Floor, Great Eagle Center, 23 Harbour Road, Wanchai, Hong Kong respectively.

The functional currency of the Company and its subsidiaries (together the "Group") in the People's Republic of China (the "PRC") are Hong Kong dollars ("HK$") and Renminbi ("RMB") respectively. For the purposes of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency for easy reference for international investors.

The subsidiaries of the Company are principally engaged in:

a) Information technology business: the design, manufacture and sales of telecommunication equipment and related products.

b) Intelligent self-services business: Engaging in payment service in public utility including but not limited to pre-paid phone cards, water, electricity and gas through sales of pre-paid cards, recharging and other services requiring self-service payments utilizing intelligent self-service equipments such as smart card vending machines, recharging machines and payment machines; display of advertisements on intelligent self-service terminals; and provision of electronic payment and settlement services.

c) Agency business: trading of telecommunication products.

2. Basis of preparation and accounting policies

These interim financial statement have been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, "Interim financial report", issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

These interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2010 annual financial statements except for the accounting policy changes that are expected to be reflected in the 2011 annual financial statements. Details of these changes in accounting policies are set out in note 3.

The preparation of interim financial statements in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

These interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group from the 2010 annual financial statements.

The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (HKFRSs) issued by the HKICPA.

3. Applications of new and revised Hong Kong Financial Reporting Standards

The HKICPA has issued a number of new or revised HKFRSs, which term collectively included individual HKFRSs, HKASs and Interpretations, that are first effective or available for early adoption for the current accounting period of the Group. There have been no significant changes to the accounting policies applied in these condensed interim financial statements for the periods presented as a result of these developments.

The Group has not early applied any new or revised standards that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of other standards, amendments and interpretations is expected to be in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

4. Segment reporting

Operating segments are identified on the basis of internal reports which provide information about components of the Group. These information are reported to and reviewed by the chief operating decision markers ("CODM") for the purpose of resource allocation and performance assessment. The identities of CODM are board of directors. The CODM consider the business from business activities perspective.

– Information technology business: the design, manufacture and sales of telecommunication equipment and related products.

– Intelligent self-service business: Engaging in payment service in public utility including but not limited to pre-paid phone cards, water, electricity and gas through sales of pre-paid cards, recharging and other services requiring self-service payments utilizing intelligent self-service equipments such as smart card vending machines, recharging machines and payment machines; display of advertisement on intelligent self-service terminals; and provision of electronic payment and settlement services.

– Agency business: trading of telecommunication products.

Currently the above Group's activities are carried out in Mainland China.

Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all assets other than corporate assets. Segment liabilities include all liabilities managed directly by the segments other than corporate liabilities.

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. However, other than reporting inter-segment sales, assistance provided by the self-service business segment to the agency business segment, including sharing of assets and selling and distribution cost, are not measured.

Sales between segments are carried out on arm's length basis. The revenue from external parties reported to the Group's chief operating decision maker is measured in a manner consistent with that in the consolidated income statement.

The measure used for reporting segment profit is "adjusted EBITDA" i.e., "adjusted earnings before interest, taxes, depreciation and amortisation". To arrive at adjusted EBITDA, the Group's earnings are further adjusted for items not specifically attributed to individual segments, such as directors' and auditor's remuneration and other head office or corporate administration costs.

In addition to receiving segment information concerning adjusted EBITDA, management is provided with segment information concerning revenue including inter-segment sales, interest income and expense from cash balances and borrowings managed directly by the segments, depreciation and amortisation and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments and the reconciliation of the corresponding consolidated totals in the financial statements are shown below.

(a) *For the period ended 30 June 2011 (Unaudited)*

	Information technology business *RMB'000*	Intelligent self-service business *RMB'000*	Agency business *RMB'000*	Inter-segment elimination *RMB'000*	Consolidated *RMB'000*
Revenue from external customers	454,900	1,990,444	15,007	–	2,460,351
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	454,900	1,990,444	15,007	–	2,460,351
Reportable segment profit (adjusted EBITDA)	120,037	120,462	3,449	–	243,948
Corporate expenses					(5,594)
Finance costs					(8,030)
Depreciation and amortisation					(21,435)
Profit before taxation					208,889
Interest income from bank deposits	888	597	–	–	1,485
Finance cost	–	8,030	–	–	8,030
Depreciation and amortisation	2,775	18,660	–	–	21,435
Income tax expenses	14,012	22,019	379	–	36,410
At 30 June 2011 (Unaudited)					
Reportable segment assets	1,201,337	887,295	–	(103,728)	1,984,904
Corporate assets					1,914
Total assets					1,986,818
Reportable segment liabilities	56,273	197,929	–	–	254,202
Corporate liabilities					130,307
Total liabilities					384,509
Additions to non-current segment assets during the period	4,505	40	–	–	4,545

(b) *For the period ended 30 June 2010 (Unaudited)*

	Information technology business *RMB'000*	Intelligent self-service business *RMB'000*	Agency business *RMB'000*	Inter-segment elimination *RMB'000*	Consolidated *RMB'000*
Revenue from external customers	363,988	1,164,670	14,991	–	1,543,649
Inter-segment revenue	–	–	–	–	–
Reportable segment revenue	363,988	1,164,670	14,991	–	1,543,649
Reportable segment profit (adjusted EBITDA)	81,201	87,185	3,446	–	171,832
Corporate expenses					(21,645)
Finance costs					(22,991)
Depreciation and amortisation					(6,569)
Profit before taxation					120,627
Interest income from bank deposits	1,060	511	–	–	1,571
Finance cost	–	22,991	–	–	22,991
Depreciation and amortisation	1,216	5,353	–	–	6,569
Income tax expenses	17,196	12,126	–	–	29,322
At 31 December 2010 (Audited)					
Reportable segment assets	1,141,555	850,174	–	(129,670)	1,862,059
Corporate assets					395
Total assets					1,862,454
Reportable segment liabilities	(56,832)	(341,746)	–	–	(398,578)
Corporate liabilities					(20,049)
Total liabilities					(418,627)
Additions to non-current segment assets during the year	37,396	113,814	–	–	151,210

5. Turnover and other revenue

Turnover represents the invoiced value of goods sold after deducting goods returned, trade discounts and sale tax.

	Six months ended 30 June 2011 RMB'000 (Unaudited)	2010 RMB'000 (Unaudited)
Turnover		
Information technology business: the design, manufacture and sales of telecommunication equipment and related products	**454,900**	363,988
Intelligent self-services business:		
– Engaging in payment service in public utility including but not limited to pre-paid phone cards, water, electricity and gas through sales of pre-paid cards, recharging and other services requiring self-service payments utilizing intelligent self-service equipments such as smart card vending machines, recharging machines and payment machines; display of advertisements on intelligent self-service terminals;	**1,989,905**	1,164,670
– provision of electronic payment and settlement services	**539**	–
Agency business: trading of telecommunication products	**15,007**	14,991
	2,460,351	1,543,649
Other revenue		
Exchange gain	**–**	2,201
Interest income on financial assets not at fair value through profit or loss – bank interest income	**1,485**	1,571
Gain on repurchase of bonds payable	**1,948**	–
Reversal for staff welfare payable	**3,784**	–
Sundry income	**1**	33
	7,218	3,805
Total revenue	**2,467,569**	1,547,454

6. Profit before taxation

Profit before taxation is arrived at after charging the following:

		Six months ended 30 June	
		2011	2010
		RMB'000	*RMB'000*
		(Unaudited)	(Unaudited)
(a)	**Finance costs**		
	Effective interest expenses on convertible bonds wholly repayable within five years	**–**	13,638
	Interest on bank advances wholly repayable within five years	**4,128**	3,271
	Interest on bonds payable	**3,902**	2,242
	Total interest expense on financial liabilities not at fair value through profit or loss	**8,030**	19,151
	Debt extinguishment loss on convertible bonds	**–**	3,840
		8,030	22,991
(b)	**Other items**		
	Amortisation of lease premium on land	**115**	115
	Amortisation of intangible assets	**278**	–
	Operating lease charges in respect of properties	**1,083**	1,049
	Auditor's remuneration	**313**	415
	Staff costs (including directors' emoluments)	**37,307**	31,685
	Research and design costs	**6,201**	15,088
	Depreciation	**21,042**	6,455
	Less: Amount included in research and design costs	**(67)**	(65)
		20,975	6,390

7. Income tax in the consolidated income statement

Income tax in the consolidated income statement represents:

	Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current tax – PRC Enterprise Income Tax for the period	**36,410**	29,322

Notes:

(a) The Group had five PRC subsidiaries.

A subsidiary, Fujian Create State Industry Co., Ltd., a wholly-foreign-owned enterprise, was subject to PRC enterprise income tax at a rate of 24% (six months ended 30 June 2010: 22%) on the assessable profits for the six months ended 30 June 2011.

A subsidiary, Skyban Telecommunication (Fujian) Limited, a wholly-foreign-owned enterprise, was subject to PRC enterprise income tax at a rate of 24% (six months ended 30 June 2010: 22%) on the assessable profits for the six months ended 30 June 2011. It is exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year losses, followed by a 50% reduction for the next three years. It was under 50% reduction period for the six months ended 30 June 2011.

In accordance with the Law of the PRC on Enterprise Income Tax (the "New Law") by order No. 63 of the President of the PRC issued on 16 March 2007 and Implementation Regulation of the New Law by the State Council of the PRC issued on 6 December 2007, the Enterprise Income Tax rate of Fujian Create State Industry Co., Ltd. and Skyban Telecommunication (Fujian) Limited in the PRC increased from 18% to 25% progressively from 1 January 2008 onwards.

A subsidiary, Wozhong Intelligent System Service (China) Co., Ltd., a wholly-foreign-owned enterprise, was subject to PRC enterprise income tax at a rate of 25% (six months ended 30 June 2010: 25%) on its assessable profits for the six months ended 30 June 2011.

A subsidiary, Wozhong Advertising (Fuzhou) Co., Ltd., a PRC domestic-invested company, was subject to PRC enterprise income tax at a rate of 25% (six months ended 30 June 2010: 25%) on its assessable profits for the six months ended 30 June 2011.

A subsidiary, Wozhong e-Payment Technology Service (Fujian) Co., Ltd. a PRC domestic-invested company, was subject to PRC enterprise income tax at a rate of 25% (six months ended 30 June 2010: 25%) on its assessable profits for the six months ended 30 June 2011.

(b) No provision for Hong Kong profits tax has been made as the Group did not earn any income subject to Hong Kong profits tax during the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

(c) The Group had no significant unprovided deferred tax assets or liabilities for the period and at 30 June 2011 (2010: nil).

8. Dividends

i) The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: nil).

ii) Dividends payable to owners of the Company attributable to the previous financial year approved during the interim period:

	At 30 June 2011 ***RMB'000*** **(Unaudited)**	At 30 June 2010 *RMB'000* (Unaudited)
Final dividend in respect of the previous financial year approved during the interim period HK2.00 cents (2010: nil) per ordinary share	**17,596**	–

9. Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company of approximately RMB172,479,000 (six months ended 30 June 2010: RMB91,305,000) and the weighted average number of 1,038,007,000 shares (2010: 1,037,500,000 shares) in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of approximately RMB172,479,000 (six months ended 30 June 2010: RMB101,315,000) and the weighted average number of ordinary shares of approximately 1,041,872,000 shares (2010: 1,181,396,000 shares).

i) Profit attributable to owners of the Company (diluted)

	At 30 June 2011 *RMB'000* (Unaudited)	At 30 June 2010 *RMB'000* (Unaudited)
Profit attributable to owners	**172,479**	91,305
After tax effect of effective interest on the liability component of convertible bonds	**–**	10,010
Profit attributable to owners (diluted)	**172,479**	101,315

ii) Weighted average number of ordinary shares (diluted)

	At 30 June 2011 *'000* (Unaudited)	At 30 June 2010 *'000* (Unaudited)
Weighted average number of ordinary shares at 1 January	**1,040,900**	1,037,500
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**972**	–
Effect of conversion of convertible bonds	**–**	143,896
Weighted average number of ordinary shares (diluted) at 30 June	**1,041,872**	1,181,396

10. Property, plant and equipment

During the six months ended 30 June 2011, the Group acquired property, plant and equipment having a total costs of RMB4,545,000 (six months ended 30 June 2010: RMB3,067,000).

11. Trade receivables

Sales transactions of the Group's self-service business, excluding the electronic payment and settlement services of the Group, are done on a cash basis. For the information technology business and agency business, the Group normally grants credit terms of 180 days to its customers after evaluating the business relationship with and creditworthiness of the customers. For the electronic payment and settlement services included in the intelligent self-service business, the Group normally grants credit terms of 180 days to its customers after evaluating the business relationship and creditworthiness of its customers.

The ageing analysis of trade receivables presented based on invoice date as at the end of the reporting period is as follows:

	At 30 June 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
0 to 30 days	**100,388**	83,728
31 to 60 days	**96,079**	88,516
61 to 90 days	**98,956**	70,560
91 to 180 days	**114,106**	109,277
	409,529	352,081

12. Prepayments, deposits and other receivables

	At 30 June 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
Advances to staff	**573**	1,182
Deposits for acquisition of property, plant and equipment	**55,000**	55,000
Deposits	**376**	308
Prepayments to suppliers	**108,739**	96,514
Prepaid expenses	**3,753**	947
Prepaid lease payments	**229**	229
	168,670	154,180

13. Cash and cash equivalents

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Cash and cash equivalents in the consolidated statement of financial position	**516,352**	495,773
Less: pledged deposits	**(20,000)**	(20,000)
Cash and cash equivalents in the condensed consolidated statement of cash flows	**496,352**	475,773

14. Trade and bills payables

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
Trade payables *(note (a))*	**4,950**	7,637
Bills payables *(note (b))*	**50,000**	50,000
Total	**54,950**	57,637

Notes:

(a) The ageing analysis of trade payables presented based on invoice date as at the end of the reporting period is as follows:

	At 30 June 2011 RMB'000 (Unaudited)	At 31 December 2010 RMB'000 (Audited)
0 to 30 days	**4,917**	7,612
31 to 60 days	**–**	25
61 to 90 days	**–**	–
91 to 180 days	**33**	–
	4,950	7,637

(b) The ageing analysis of bills payables presented based on invoice date as at the end of the reporting period is as follows:

	At 30 June 2011 *RMB'000* (Unaudited)	At 31 December 2010 *RMB'000* (Audited)
0 to 30 days	**–**	–
31 to 60 days	**–**	–
61 to 90 days	**–**	–
91 to 180 days	**50,000**	50,000
	50,000	50,000

At 30 June 2011, the bills payable of approximately RMB50,000,000 (2010: RMB50,000,000) were secured by certain assets of the Group and personally guaranteed by Mr Yu Longrui ("Mr. Yu"), a director of the Company as set out in note 19.

15. Accruals and other payables

	At 30 June 2011 *RMB'000* (Unaudited)	At 31 December 2010 *RMB'000* (Audited)
Staff salaries payable	**1,877**	1,848
Staff welfare payable	**29,475**	33,259
Accrued expenses	**13,959**	13,690
Other non– income tax	**4,159**	6,909
	49,470	55,706

16. Amount due to a director

The amount is unsecured, non-interest-bearing and repayable on demand.

17. Bank loans

At 30 June 2011, bank borrowings were carried at amortised cost and repayable as follows:

	At 30 June 2011 *RMB'000* **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
Bank loans		
– secured *(note a)*	**–**	30,000
– secured *(note b)*	**50,000**	50,000
– secured *(note c)*	**40,000**	40,000
– secured *(note d)*	**10,000**	10,000
– secured *(note e)*	**30,000**	–
	130,000	130,000
Representing:		
Within 1 year	**30,000**	30,000
After 2 years but within 5 years	**100,000**	100,000
	130,000	130,000

Notes:

(a) The bank loan totalling RMB30,000,000 bears interest at 5.58% per annum and was fully repaid on 9 April 2011. This loan was secured by the guarantee and certain assets held by a related party as set out in note 19.

(b) The bank loan totalling RMB50,000,000 (31 December 2010: RMB50,000,000) bears interest at 6.44% (31 December 2010: 5.94%) per annum and is repayable on August 2012. This loan is secured by the Group's assets and guarantees as set out in note 19.

(c) The bank loan of RMB40,000,000 (31 December 2010: RMB40,000,000) bears interest at 6.14% (31 December 2010: 5.67%) per annum and is repayable in installments beginning from year 2012 to year 2013. This loan is secured by a guarantee as set out in note 19.

(d) The bank loan of RMB10,000,000 (31 December 2010: RMB10,000,000) bears interest at 0.80% (31 December 2010: 0.64%) per month and is repayable on 13 January 2013. This loan is secured by the Group's assets as set out in note 19.

(e) The bank loan of RMB30,000,000 (31 December 2010: nil) bears interest at 7.57% per annum and is repayable on 10 June 2012. This loan is secured by the guarantee and certain assets held by a related party as set out in note 19.

18. Bonds payable/convertible bonds

Pursuant to a bond subscription agreement dated 6 November 2007 (the "Agreement"), the Company issued convertible bonds (the "Bonds") to independent investors on 8 November 2007 for an aggregate principal amount of RMB330,000,000, to be settled in US dollars. The bondholders have the right to convert them into ordinary shares of the Company at any time on or after 41 days from 8 November 2007 until 7 days prior to 8 November 2012. On 27 April 2009, the conversion price was adjusted from HK$2.08 to HK$1.67.

The Bonds bear interest calculated at 1% per annum, payable by the Company semi-annually in arrears and are unsecured and will mature on 8 November 2012. On the maturity date, the outstanding convertible bonds will be redeemed by the Company at 128.66% of the outstanding principal amount. Early redemption is permitted under specified circumstances.

Interest expense on the Bonds is calculated using the effective interest method by applying the effective interest rate of 6.00% per annum to the liability component.

On 8 April 2010, the Company received early redemption notices from the Trustee of the bondholders to redeem all outstanding bonds on 8 May 2010. Pursuant to the said notices, the Company shall upon the expiry of such notice, redeem the Bonds at the US dollar equivalent of its RMB principal amount multiplied by 113.27%. The Company was required to repay to the bondholders the principal sum of RMB373,791,000 and the related interests amounting to RMB1,650,000 totally RMB375,441,000 (the "Redemption Amount") on the due date. The Company planned to satisfy the payment of the Redemption Amount, which shall be settled in US dollars, by the Group's internal resources. As required under the relevant PRC laws and regulations, on 8 April 2010, the Company filed to the PRC State Administration of Foreign Exchange ("SAFE") foreign exchange remittance applications for the payment of the Redemption Amount. The Company was unable to remit to Hong Kong the money required for the payment on 8 May 2010 because the remittance applications with the SAFE were still in progress which constituted an event of default as stated in the Agreement. The Company is subject to default interest on overdue sum at the rate of 5 percent per annum.

During the year ended 31 December 2010, the Company has made payments for the total amount of RMB228,793,000 representing the principal amount of RMB217,684,000, interest of RMB1,650,000 and default interest of RMB9,459,000. Since the bondholders served redemption notices and right to conversion into shares lapsed, convertible bonds were then classified as bonds payable. During the six months ended 30 June 2011, the Company has made payment of RMB45,570,000 for the repurchase of the bonds at discount which resulted in a gain on repurchase of bonds payable of approximately RMB1,948,000. As at 30 June 2011 and up to the date of approval of these financial statements, redemption money payable remaining outstanding amounted to RMB112,491,000. The trustee has not taken any action against the Company in respect of the default.

a) *Convertible Bonds*

The movement of the liability component of the convertible bonds for the period/year is set out below:

	At 30 June 2011 ***RMB'000*** **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
Balance at 1 January (Liability component)	**–**	358,966
Interest charged	**–**	11,988
Interest paid	**–**	(1,650)
Redemption and classified as bonds payable during the period/year	**–**	(369,304)
Liability component at 30 June 2011/31 December 2010	**–**	–

b) *Bonds Payable*

As at 30 June 2011, all outstanding Bonds repayable to the bondholders are classified as current liabilities.

	At 30 June 2011 ***RMB'000*** **(Unaudited)**	At 31 December 2010 *RMB'000* (Audited)
Balance at 1 January	**156,107**	–
Early redemption of bonds classified as payable during the year	**–**	373,791
Interest charged	**3,902**	–
Repurchase of bonds at discount/Repayment	**(45,570)**	(217,684)
Gain on repurchase of bonds at discount	**(1,948)**	–
Balance at 30 June 2011/31 December 2010	**112,491**	156,107

19. Pledge of assets

At the end of the reporting period, certain of the Group's liabilities are secured by the Group's assets and are guaranteed by a director and related companies. The details are as follows:

Bills payable of RMB50,000,000 (31 December 2010: RMB50,000,000) as set out in note 14 and bank loans totalling RMB120,000,000 (31 December 2010: RMB120,000,000) as set out in note 17(a) to (c) and (e) are personally guaranteed for an aggregate amount not exceeding RMB150,000,000 (31 December 2010: RMB180,000,000) by Mr. Yu, a director of the Company.

The bank loan of RMB30,000,000 (31 December 2010: RMB30,000,000) as set out in note 17(a) and (e), is further secured by the investment securities amounting to RMB84,150,000 (31 December 2010: RMB42,000,000). The investment securities are held by a related company, namely Fujian Deban Group Co. Ltd. Mr. Yu is a director of that related company.

Bills payable of RMB50,000,000 (31 December 2010: RMB50,000,000) as set out in note 14 and bank loans of RMB50,000,000 (31 December 2010: RMB50,000,000) as set out in note 14(b) are further secured by the certain of the Group's prepaid lease payment of RMB8,325,000 (31 December 2010: RMB8,418,000), all the construction in progress – buildings of RMB127,379,000 (31 December 2010: RMB119,138,000) and bank deposit of RMB20,000,000 (31 December 2010: RMB20,000,000)

The bank loans of RMB70,000,000 (31 December 2010: RMB70,000,000) in total as set out in note 17(a), (c) and (e), are further guaranteed by Fujian Dongya, New Material Technology Co., Ltd., a subsidiary of Deban International (Hong Kong) Limited. Mr. Yu is a director of Deban International (Hong Kong) Limited.

The bank loan of RMB10,000,000 (31 December 2010: RMB10,000,000) as set out in note 17(d), is secured by certain of the Group's prepaid lease payment of RMB1,544,000 (31 December 2010: RMB1,565,000) and buildings of RMB6,174,000 (31 December 2010: RMB6,502,000).

20. Share capital

	Number of shares	Amount
	'000	*HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
As at 31 December 2010 and 30 June 2011	4,000,000	400,000
Issued and fully paid:		
As at 31 December 2010 and 1 January 2011	1,037,500	103,750
Share issued under share option scheme	3,400	340
As at 30 June 2011	1,040,900	104,090

	RMB'000
Equivalent to	108,198

21. Capital commitments

Capital commitments outstanding but not provided for in these interim financial statements:

	At 30 June 2011	At 31 December 2010
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Contracted for the acquisition of property, plant and equipment	**13,185**	12,715

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2011, the Group recorded a turnover of approximately RMB2,460 million, representing an increase of 59.4% against the same period last year. Gross profit amounted to approximately RMB295 million, representing an increase of 40.0% against the same period last year. Profit attributable to shareholders amounted to approximately RMB172 million, representing an increase of 88.9% against the same period last year. Basic earnings per share were RMB16.6 cents, representing an increase of 88.9% against the same period last year. Turnover from information technology business for the six months ended 30 June 2011 amounted to approximately RMB455 million, an increase of 25.0% as compared with the same period last year. Intelligent self-service business grew significantly for the six months ended 30 June 2011 with turnover of approximately RMB1,990 million, an increase of 70.9% as compared with the same period last year.

INFORMATION TECHNOLOGY BUSINESS

Based on the remarkable results achieved by the Group through its implementation of the strategy of "Adjustment, Consolidation and Elevation", the Board of the Group established the development strategy of "Reinforcement, Accumulation and Expansion" in 2011, with a view to further reinforcing and advancing the Group's market share and technology in the industrial service industry. For the six months ended 30 June 2011, the information technology business of the Group continued to achieve growth, with the turnover increased by 25.0% as compared with the same period last year to approximately RMB455 million.

The Group reinforced and extended the scope and depth of marketing. By virtue of our marketing strategy, we have seen remarkable results in marketing with expanded market penetration of our premier products, increased market influence of new products and increased efforts for product introduction and market development, organization of a series of marketing activities for new products and participation in international exhibitions for smart electronics products, etc.. Following the principle of improvement, accumulation and innovation, we have improved the commercialization of scientific research resources through increased application of achieved research technology to products. For the first half of 2011, we saw rise in the commercializing rate of our scientific research achievements, while sales, research and development fees per unit decreased by approximately 59.0% as compared with the same period last year. We also made numerous technology achievements in software and hardware with intellectual property rights and great potential of application.

With the advantage of integrated production, sales, research and development and through the employment of advanced production equipments, the Group has effectively enhanced the production efficiency and reduced the adverse effects of increasing labor costs on manufacturing industry. We have also committed to reducing procurement and manufacturing costs to maintain our advantage in product's price-to-performance ratio.

INTELLIGENT SELF-SERVICE BUSINESS

The Group continued to pursue the development strategies of the intelligent self-service business established by the Board. For the six months ended 30 June 2011, the Group recorded a turnover of approximately RMB1,990 million from intelligent self-service business, which accounted for 80.9% of the total turnover of the Group, representing an increase of 70.9% as compared with the same period last year. Following the establishment of a number of branches in Fujian Province, Beijing, Chongqing, Hubei Province, Shandong Province, Jiangsu Province and Sichuan Province, the Group set up a new branch in Shanghai in the first half of 2011 and made preparation for the establishment of a new branch in Hangzhou, Zhejiang Province. The Group deployed over 8,000 community financial e-service platforms as well as over 3,000 electronic payment service terminals (E-POS).

On 1 March 2011, the Group obtained approval from the Ministry of Commerce of the People's Republic of China to expand its business scope from sales of pre-paid cards to recharging and self-service payment services. Taking such opportunity, the Group entered into strategic cooperation agreements with Chongqing Public E-Card Co., Ltd. (重慶城市通卡有限公司) and Beijing Xiao Bang Shou Service Centre (北京市小幫手服務中心) in the first half of 2011, achieving a new breakthrough in the expansion of customer and service scopes.

With respect to the development of E-POS business under the intelligent self-service business, the Group has entered into the strategic partnership on E-POS services with China Citic Bank, Fuzhou Branch and China UMS (中國銀商) in the first half of 2011 following the establishment of partnership of "Wozhong – China UMS – Industrial Bank Fuzhou Branch".

Leveraging on the potential vast resources of "Wozhong Community Financial e-Service platform" as an advertising medium, the Group continuously promoted the advertising and marketing of its own service brand "Wozhong e-Service", so as to facilitate the sustainable leap development of "Wozhong e-Service" business.

FINANCIAL REVIEW

LIQUIDITY AND FINANCIAL RESOURCES

As at 30 June 2011, the Group had total assets of approximately RMB1,987 million comprising non-current assets of approximately RMB529 million and current assets of approximately RMB1,458 million.

With respect to the bonds payables, subsequent to the payments for the total amount of approximately RMB228,793,000 during the year ended 31 December 2010, during the six months ended 30 June 2011, the Company has made further payment of approximately RMB45,570,000 for the repurchase of the bonds at discount which resulted in a gain on repurchase of bonds payables of approximately RMB1,948,000. As at 30 June 2011, redemption money payable remaining outstanding amounted to approximately RMB112,491,000 which is subject to an interest at a rate of 5% per annum. The Company will issue a further announcement on the development of the payment of the bonds payables in due course.

The Group's cash and cash equivalents amounted to approximately RMB516 million as at 30 June 2011. They were mostly denominated in RMBand Hong Kong dollars.

CAPITAL COMMITMENTS

As at 30 June 2011, the Group's capital commitments in relation to prepaid lease payments and acquisition of properties, plant and equipment amounted to approximately RMB13.2 million.

OUTLOOK

Improvement of our life style is usually made possible by the advancement in technology. As our information technology business and intelligent self-service business have strong complementary strengths and enjoy collective advantages, the Group will continue to pursue the strategy of combined development to achieve win-win results. With the deepening of informationization and modernization in the PRC, it is anticipated that the scale and efficiency of the Group's overall business operations will grow significantly.

INFORMATION TECHNOLOGY BUSINESS

The Group's established IT product structure and market effect as well as our advancing development strategy will guarantee steady development and sustainable growth of our IT business and results.

INTELLIGENT SELF-SERVICE BUSINESS

Adhering to its development strategy of "Wozhong e-Service", the Group will continue to introduce new services through its established and ever-expanding intelligent chain service "Wozhong Community Financial e-Service Platform", so as to extend its coverage of services to bring about new revenue stream and higher investment return.

The Group will stick to its existing unique business model. By alliance with such banks and institutes that may bring complementary strength to our business, the operating scale and efficiency of our E-POS service business is expected to grow further.

In addition, the Group will continue to improve and enhance its corporate governance standards. Focus will be put on the growth of human resources to meet the operational and management needs for its business and organization expansion. The Group will also continue to make ongoing improvement to various aspects such as brand building, marketing, research and development, service loading and cost control, to persistently enhance its overall competitiveness.

DIRECTORS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2011, the interests and short positions of the directors of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

Long positions in ordinary shares of the Company:

		Interests in shares as at 30 June 2011					
Name of Directors	**Capacity**	**Personal interests**	**Corporate interests**	**Total**	**Interests in underlying shares pursuant to share option as at 30 June 2011**	**Aggregate interests as at 30 June 2011**	**Percentage of issued share capital of the Company as at 30 June 2011**
Yu Longrui	Beneficial owner	29,012,000	500,680,000 *(Note)*	529,692,000	Nil	529,692,000	50.89%
Yu Longhui	Beneficial owner	Nil	500,680,000 *(Note)*	500,680,000	Nil	500,680,000	48.10%

Note: These 500,680,000 ordinary shares are held by Daba International Investments Limited, a company incorporated in the British Virgin Islands with limited liability and is owned as to 77.6%, 6.86%, 5.49%, 4.57%, 2.74% and 2.74% by Mr. Yu Longrui, Mr. Yu Longhui, Ms. Yang Yahua, Mr. Yu Qiang, Mr. Yang Minyong and Mr. Mo Kaifei respectively.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

So far as is known to any director of the Company, as at 30 June 2011, other than the interests of the directors of the Company as disclosed above, the following persons had interests in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Name of Shareholders	Number of ordinary shares held as at 30 June 2011	Percentage of the Company's issued share capital as at 30 June 2011
Daba International Investments Limited	500,680,000 *(Note)*	48.10%
Chartered Asset Management Pte Ltd	125,376,000	12.04%
CAM-GTF Limited	83,716,000	8.04%
Sanlam Universal Funds plc	82,834,880	7.96%

Note: Daba International Investments Limited is beneficially owned by Mr. Yu Longrui, Mr. Yu Longhui, Ms.Yang Yahua, Mr. Yu Qiang, Mr. Yang Minyong and Mr. Mo Kafei as to 77.6%, 6.86%, 5.49%, 4.57%, 2.74% and 2.74% respectively. Mr. Yu Longrui is the spouse of Ms. Yang Yahua, brother of Mr. Yu Longhui and Mr. Yu Qiang, brother-in-law of Mr. Yang Minyong and uncle of Mr. Mo Kaifei.

Save as disclosed above, no person had registered an interest in the share capital of the Company that was required to be disclosed under Division 2 and 3 of Part XV of the SFO and the Listing Rules.

Save for the shareholders as disclosed herein, the Directors are not aware of any persons who, as at 30 June 2011, were entitled to exercise or control the exercise of 5% or more of the voting power at general meeting of the Company and were also, as a practicable matter, able to direct or influence the management of the Company.

SHARE OPTIONS

On 14 April 2006, the Company adopted a share option scheme (the "Scheme") for the purposed of providing incentives and rewards to eligible participants who contribute to the success of the Group's operation. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, other employees of the Group, suppliers of goods or services to the Group, customers of the Group, any consultants, advisers, managers or officers of the Group, and the Company's shareholders. The Scheme will remain in force for 10 years from the date of its adoption.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

As at the date of this report, altogether 21,472,000 share options (representing approximately 2.06% of the existing issued share capital of the Company at the date of this report) have been granted or committed to be granted pursuant to the Scheme.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2011, the Group had approximately 775 employees for its principal activities. Recognizing the importance of retaining high caliber and competent staff, the Group provides competitive remuneration packages to employees with reference to prevailing market practices and individuals performance. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the approved share option scheme adopted by the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

There was no purchase, sale or redemption of the Company's listed shares by the Company or any of its subsidiaries during the six months ended 30 June 2011.

CORPORATE GOVERNANCE

The Group continues to achieve high standards of corporate governance which it believes is crucial to the development of its business and to safeguarding the interests of the Company's shareholders.

The Company has also taken effective measures to ensure that it is in compliance with the code provisions and as far as reasonably possible the recommended best practices of the Code on Corporate Governance Practices (the "Code") which came into effect on 1 January 2005. In the opinion of the Board, the Company had complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the accounting period ended 30 June 2011, with derivations from the Code provision A.2.1 of the Code in respect of the separate roles of the Chairman and Chief Executive Officer.

Code A.2.1 of the Code stipulates that the roles of Chairman and Chief Executive Officer should be separate and should not be performed by the same individual. Mr. Yu Longrui is currently the Chairman and Chief Executive Officer of the Company.

After reviewing the management structure, the Board is of the opinion that Board decisions are collective decisions of all Directors made by way of voting and not decisions of the Chairman of the Board alone. Further, there is a clear division of responsibilities between the management of the Board and the day-to-day management of the business of the Company, which relies on the support of the senior management. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same position provides the Group with stronger and more consistent leadership and allows for more effective planning.

As such, the power of management of the Company is not concentrated in any one individual. The Board considers that the present structure will not impair the balance of power and authority between the Board and the management of the Group. The Board has full confidence in Mr. Yu Longrui and believes that the current arrangement is beneficial to the business prospect of the Group.

In compliance with the code provisions of the Corporate Governance Code, the Company has an Audit Committee and a Remuneration Committee set up under the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions by the Directors. Having made specific enquiry with all Directors, the Company confirmed that in respect of the six months ended 30 June 2011, all Directors had complied with the required standard set out in the Model Code.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Corporate Governance Code and Rule 3.21 of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang is the chairman of the committee. The Audit Committee meets regularly with the Company's senior management and the Company's auditors to consider the Company's financial reporting process, the effectiveness of internal controls, the audit process and risk management.

REMUNERATION COMMITTEE

The Company has a remuneration committee (the "Remuneration Committee") with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management. The Remuneration Committee has three members, all independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang is the chairman of the committee.

NOMINATION COMMITTEE

The Company has a nomination committee (the "Nomination Committee") with written terms of reference in compliance with Appendix 14 to the Listing Rules. The primary duties of the nomination committee are to make recommendations to the board of Directors on appointment of Directors and management of the succession of the board of Directors. The Nomination Committee has three members, all independent non-executive Directors, namely Mr. Zheng Qingchang, Mr. Yu Lun and Mr. Yun Lok Ming. Mr. Zheng Qingchang is the chairman of the committee.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express our gratitude to all staff for their devoted efforts and hard work.

By Order of the Board
YU Longrui
Chairman and Chief Executive Officer

Hong Kong, 23 August 2011