THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in EYANG HOLDINGS (GROUP) CO., LIMITED, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee, or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

EYANG HOLDINGS (GROUP) CO., LIMITED

宇 陽 控 股 （ 集 團 ） 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 117)

MAJOR AND CONNECTED TRANSACTION

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN EYCOM

Independent financial adviser to the Independent Board Committee and the Independent Shareholders

Shenyin Wanguo Capital (H.K.) Limited

A letter of advice from Shenyin Wanguo Capital (H.K.) Limited to the Independent Board Committee and the Independent Shareholders regarding the Disposal is set out on pages 13 to 24 of this circular. The recommendation of the Independent Board Committee to the Independent Shareholders is set out on page 12 of this circular.

A notice convening the EGM of EYANG HOLDINGS (GROUP) CO., LIMITED to be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Wednesday, 14 October 2009 at 11:00 a.m. is set out on pages 36 to 37 of this circular. A form of proxy for use at the meeting is enclosed. Whether or not you intend to attend the meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Hong Kong branch share registrars of EYANG HOLDINGS (GROUP) CO., LIMITED, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Completion and return of the form of proxy shall not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so desire.

25 September 2009

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

"associate(s)"	has the meaning ascribed thereto under the Listing Rules
"Board"	the board of the Directors
"Business Day"	any day on which banks are open in Hong Kong and the PRC for general banking business (other than Saturdays)
"Company"	EYANG Holdings (Group) Co., Limited (stock code: 117), a company incorporated in the Cayman Islands with limited liability, the issued shares of which are listed on the Stock Exchange
"Completion"	the Disposal Agreement becomes effective and the beneficial interest in Eycom is transferred by Eyang Shenzhen to Weichuang Investment in accordance with the terms and conditions of the Disposal Agreement
"connected person"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	the total purchase price payable by Weichuang Investment to Eyang Shenzhen for the Disposal and is subject to the terms and conditions of the Disposal Agreement
"Controlling Shareholders"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refer to Mr. Chen Weirong and the parties who entered into the concert party agreements with Mr. Chen Weirong are indirectly holding shares of the Company consisting of Ms. Shuang Mei, Mr. Zhang Zhilin, Mr. Liao Jie, Mr. Cheng Wusheng, Mr. Zhou Penghong and Mr. Luo Chaoen as at the Latest Practicable Date
"Director(s)"	the director(s) of the Company
"Disposal"	the proposed disposal of the entire equity interest of Eycom by Eyang Shenzhen to Weichuang Investment pursuant to the Disposal Agreement

"Disposal Agreement"	the agreement entered into between Eyang Shenzhen and Weichuang Investment on 4 September 2009 in relation to the Disposal
"EGM"	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, to approve the Disposal Agreement and the Disposal contemplated thereunder
"Eyang Shenzhen"	深圳市宇陽科技發展有限公司 (Eyang Technology Development Co., Ltd.*), a wholly foreign owned enterprise, incorporated under the laws of the PRC on 22 February 2001, and an indirect wholly-owned subsidiary of the Company
"Eycom"	深圳市億通科技有限公司 (Eycom Technology Co., Ltd.*), a limited liability company incorporated under the laws of the PRC on 24 March 2004, and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	an independent committee of the Board comprising Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus, all of them being independent non-executive Directors, established for the purpose of advising the Independent Shareholders on the Disposal
"Independent Shareholders"	the Shareholders other than those who are required to abstain from voting at the EGM under the Listing Rules
"Independent Third Party(ies)"	any party which is independent of and not connected with any of the Directors, chief executives or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
"IFRS"	International Financial Reporting Standards
"Initial Consideration"	RMB3,444,850.85

"Latest Practicable Date"	21 September 2009, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MLCC"	multi-layer ceramic capacitor, which the Group is engaged in the manufacture and sale of
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) with a nominal value of HK$0.01 each in the share capital of the Company
"Shenyin Wanguo"	Shenyin Wanguo Capital (H.K.) Limited, a licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined in the SFO) and the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding the Disposal
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Weichuang Investment"	深圳市偉創投資有限公司 (Shenzhen Weichuang Investment Co., Ltd*), a limited liability company established on 29 May 2009 with a registered capital of RMB10 million in the PRC. Based on its business license, the business scope of Weichuang Investment includes project and equity investment; development and sales of battery, electronic materials, electronic devices and other related products as well as export and import businesses

* *For identification purpose only*

EYANG HOLDINGS (GROUP) CO., LIMITED
宇陽控股（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 117)

Executive Directors:
Mr. Chen Weirong *(Chairman and Chief Executive Officer)*
Ms. Shuang Mei
Mr. Liao Jie

Non-executive Directors:
Mr. Chen Hao
Mr. Cheng Wusheng
Mr. Li Heqiu
Mr. Zhang Zhilin

Independent non-executive Directors:
Mr. Chu Kin Wang, Peleus
Mr. Pan Wei
Mr. Liu Huanbin

Registered office:
Cricket Square, Hutchins Drive,
PO Box 2681,
Grand Cayman, KY1-1111,
Cayman Islands

Head office and principal place of business in Hong Kong:
8th Floor,
Tien Chu Commercial Building
173–174 Gloucester Road
Wanchai
Hong Kong

Principal place of business in the PRC
EYANG Building
No. 3 Qimin Street
No. 2 Langshan Road, North Area
Hi-tech Industrial Park
Nanshan District
Shenzhen, PRC

25 September 2009

To the Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN EYCOM

INTRODUCTION

On 4 September 2009 (after trading hours), Eyang Shenzhen, an indirect wholly-owned subsidiary of the Company as the vendor, and, Weichuang Investment as the purchaser, entered into the Disposal Agreement. Pursuant to the Disposal Agreement, Eyang Shenzhen has conditionally agreed to sell and Weichuang Investment has conditionally agreed to purchase, the entire equity interest in Eycom, a wholly-owned subsidiary of Eyang Shenzhen and is principally responsible for the mobile phone business of the Group as at the Latest Practicable Date, for the Initial Consideration of RMB3,444,850.85, subject to the adjustment as detailed below.

The purpose of this circular is to provide you with further information regarding, among others, the Disposal Agreement and the Disposal contemplated thereunder, the financial information on the Group, the recommendation of the Independent Board Committee to the Independent Shareholders and the advice of Shenyin Wanguo to the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreement and the Disposal contemplated thereunder, and to give you notice of the EGM to be convened for the purpose of considering and, if thought fit, approving the Disposal Agreement and the Disposal contemplated thereunder by poll.

THE DISPOSAL

The Disposal Agreement

Date:

4 September 2009

Parties:

Vendor	:	Eyang Shenzhen, being the indirect wholly-owned subsidiary of the Company
Purchaser	:	Weichuang Investment

Weichuang Investment is beneficially owned as to Mr. Chen Weirong by 55%, Ms. Shuang Mei by 18%, Mr. Liao Jie by 12%, Mr. Xu Chuncheng by 8% and Mr. Luo Jun by 7%. Given that Mr. Chen Weirong, Ms. Shuang Mei and Mr. Liao Jie are the Controlling Shareholders and executive Directors, Weichuang Investment is the connected person under Chapter 14A of the Listing Rules.

In addition, as at the Latest Practicable Date, Mr. Xu Chuncheng is the chief financial officer of the Company whereas Mr. Luo Jun is the general manager of sales center of Eycom. To the best knowledge, information and belief of the Directors and having made all reasonable enquiry, both Mr. Xu Chuncheng and Mr. Luo Jun are Independent Third Parties.

Subject of the Disposal

Pursuant to the Disposal Agreement, Eyang Shenzhen agreed to dispose of the entire equity interest in Eycom to Weichuang Investment subject to the terms and conditions set out therein.

Consideration

The Initial Consideration is RMB3,444,850.85. Such Initial Consideration was determined after arm's length negotiations between Eyang Shenzhen and Weichuang Invesment and arrived at on normal commercial terms with reference to the unaudited net assets value of Eycom as at 30 June 2009 prepared in accordance with IFRS, which was approximately RMB23,444,850.85, and after the payment of dividend of RMB20,000,000 (the "Dividend") of Eycom to its relevant shareholders. As advised by the Directors, the Dividend has already been paid as at the Latest Practicable Date.

The Initial Consideration is payable by Weichuang Investment to Eyang Shenzhen in cash upon Completion.

Pursuant to the terms and conditions of the Disposal Agreement, such Initial Consideration is also subject to adjustment set out below:

At appropriate time following Completion but in any event should be no later than the date on which the Company should publish its audited financial results for the year ending 31 December 2009 according to the requirements of the Listing Rules, parties to the Disposal Agreement should ascertain in writing the net assets value of Eycom as at the date of Completion prepared in accordance with IFRS and audited by qualified accountants (the "Audited NAV"). Should the Audited NAV be higher than the Initial Consideration, the Consideration payable by Weichuang Investment should be increased by the amount equivalent to the difference between the Audited NAV and the Initial Consideration and the said difference should be paid by Weichuang Investment within the five Business Days from the date on which the Audited NAV being ascertained in writing by parties thereto. If the Audited NAV is lower than the Initial Consideration, the Consideration should be equal to the Initial Consideration.

Conditions precedent

Completion of the Disposal shall be conditional upon the following conditions:

(1) The Disposal Agreement being duly signed by the parties thereto;

(2) the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the entering into of the Disposal Agreement and performance of the Disposal thereunder; and

(3) the obtaining of all necessary approvals in connection with the entering into of the Disposal Agreement and performance of the Disposal thereunder by the relevant shareholders, shareholder's meeting and/or the board of directors of Eycom, Eyang Shenzhen and Weichuang Investment respectively.

As at the Latest Practicable Date, the conditions precedent of (1) & (3) have been satisfied. Should the satisfaction of all of the above conditions precedent not occur on or before 31 December 2009 (or such later date as Weichuang Investment and Eycom may agree in writing), the Disposal Agreement shall terminate and neither party shall have any liability to the other except for antecedent breaches of the Disposal Agreement.

Completion

Completion should take place forthwith on the date on which all the conditions precedent set out above are fulfilled.

Upon Completion, the entire equity interest in Eycom held by Eyang Shenzhen will be disposed of to Weichuang Investment and Eycom will cease to be a subsidiary of the Company.

INFORMATION ON THE GROUP, WEICHUANG INVESTMENT AND EYCOM

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the main board of the Stock Exchange. As at the Latest Practicable Date, the Group is principally engaged in the manufacture and sale of MLCC and mobile phones.

Weichuang Investment was incorporated on 29 May 2009 with a registered capital of RMB10 million in the PRC. Based on its business license, the business scope of Weichuang Investment includes project and equity investment; development and sales of battery, electronic materials, electronic devices and other related products as well as export and import businesses.

Eycom is a limited liability company incorporated under the laws of the PRC on 24 March 2004, and an indirect wholly-owned subsidiary of the Company. As at the Latest Practicable Date, Eycom is principally engaged in the manufacture and sale of mobile phones.

Set out below is the unaudited financial information of Eycom for the two years ended 31 December 2008 and the six months ended 30 June 2009 prepared in accordance with IFRS:

	For the year ended 31 December		For the six months ended 30 June
	2007	**2008**	**2009**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net (loss)/profit before tax	34,834	(8,773)	(10,703)
Net (loss)/profit after tax	34,696	(9,531)	(10,703)

	As at 31 December		As at 30 June
	2007	**2008**	**2009**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
Net assets	43,679	34,148	23,445

As at 30 June 2009, the unaudited total assets of Eycom amounted to approximately RMB144.3 million, of which approximately RMB139.7 million was current assets and approximately RMB4.6 million was non-current assets, which mainly included machinery for the production of mobile phones. Among the said current assets of approximately RMB139.7 million, approximately RMB58.8 million was cash and cash equivalent, accounted for approximately 42.1% of the total current assets.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE DISPOSAL AGREEMENT

The Disposal

As at the Latest Practicable Date, the Group is principally engaged in the manufacture and sale of MLCC and mobile phones. Eycom, an indirectly wholly-owned subsidiary of the Company, is principally responsible for the mobile phone business of the Group and is engaged in the production and sale of mobile phones as at the Latest Practicable Date. Since 2008, various PRC mobile phone producers have entered into the mobile phone market which intensified market competition. Furthermore, the business conducts of various mobile phone producers in the PRC resulted in the disorderly market competition, among others, by way of flooding counterfeit mobile phones into the PRC market. Under such circumstance together with the financial crisis in 2008, for the year ended 31 December 2008, the revenue derived from the mobile phone business decreased by approximately 10.6% to approximately RMB545.2 million and the relevant segment results recorded a loss of approximately RMB8.5 million during the corresponding period.

On the other hand, despite the worsening financial and economic environment in 2008, the Group's another business, namely, MLCC business, achieved an increase in sales by approximately 5% and the relevant segment results were approximately RMB37.7 million in 2008. However, as a result of, among others, the slumping performance of the mobile phone business, the overall revenue of the Group nevertheless decreased from approximately RMB835.7 million in 2007 to approximately RMB780.0 million in 2008, whereas the net profit of the Group decreased from approximately RMB68.4 million in 2007 to approximately RMB11.3 million.

During the first half of 2009, the mobile phone business still suffered from the intensified market competition in the PRC. As such, based on the unaudited interim results of the Group, the sale of mobile phones of the Group continued to fall to RMB181.9 million for the six months ended 30 June 2009, representing a decrease of approximately 29.0% from approximately RMB256.3 million during the corresponding period in 2008. The loss incurred from the mobile phone business in the first half of 2009 reached to approximately RMB10.7 million, representing an increase of approximately 234.4% from the loss of approximately RMB3.2 million in the same period in 2008. Though, during the same period, the MLCC business of the Group still recorded growth in the revenue to approximately RMB130.9 million, whereas the relevant segment results were RMB22.0 million as compared with RMB24.8 million in the corresponding period in 2008, the Group's overall revenue and net profits for the six months ended 30 June 2009 decreased to approximately RMB310.2 million and RMB5.2 million respectively, principally as a result of the declining performance of the mobile phone business.

Having considered that (a) the declining performance of the mobile phone business in 2008 and the first half of 2009; (b) the aforementioned competition in the PRC mobile phone market which, the Directors consider that, may not be eased in the foreseeable future; and (c) the fact that the continuing loss as incurred from the mobile phone business may undermine the performance of the MLCC business which in turn may affect the overall business performance of the Group, the Directors consider that the entering into of the Disposal Agreement provides an opportunity to the Group to exit such mobile phone market and also enables the Group to focus its resource into the development of the growing MLCC business.

As the Initial Consideration was determined with reference to the unaudited net assets value of Eycom as at 30 June 2009 after the Dividend, and subject to adjustment (as detailed in the paragraph headed "Consideration" under the section headed "The Disposal" above) based on the Audited NAV when available, the Directors expect that (a) the assets and liabilities of the Group will decrease accordingly upon Completion; (b) no gain or loss on disposal is expected to accrue to the Company before professional fees and expenses relating to the Disposal if the Audited NAV is either equivalent to or higher than the Initial Consideration; or (c) a gain on disposal of the amount equivalent to the difference between the Audited NAV and the Initial Consideration is to be accrued to the Company before professional fees and expenses relating to the Disposal if the Audited NAV is lower than the Initial Consideration. In addition, as Eycom has been loss making for the year ended 31 December 2008 and six months ended 30 June 2009, the Directors anticipate that the Disposal should improve the recurring earnings of the Group subsequent to Completion.

In view of the above and having considered the terms of the Disposal Agreement, which are arrived at after arm's length negotiations and on normal commercial terms, the Directors are of the view that the terms of the Disposal Agreement are fair and reasonable and the entering into the Disposal Agreement is in the interests of the Group and the Shareholders (including the Independent Shareholders) as a whole.

INTENDED USE OF PROCEEDS

The Group intends to apply all the sale proceeds from the Disposal as general working capital.

LISTING RULES IMPLICATIONS

The Disposal

The Disposal constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Given that Mr. Chen Weirong, Ms. Shuang Mei and Mr. Liao Jie, who, in aggregate, own 85% of the registered capital of Weichuang Investment, are Controlling Shareholders and the executive Directors, Weichuang Investment is the connected person under Chapter 14A of the Listing Rules. As such, the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the approval of the Independent Shareholders at the EGM by poll. As at the Latest Practicable Date, the Controlling Shareholders were Mr. Chen Weirong and other persons comprising Ms. Shuang Mei, Mr. Liao Jie, Mr. Zhang Zhilin, Mr. Cheng Wusheng, Mr. Zhou Penghong and Mr. Luo Chaoen, who have entered into relevant concert party agreements with Mr. Chen Weirong during the period from 2003 to 2005. Pursuant to the relevant concert party agreements, each of the said persons agreed to procure and warrant that any representative attending the shareholders and board meetings on their behalf shall vote in accordance with Mr. Chen Weirong's direction. As such, Mr. Chen Weirong, Ms. Shuang Mei, Mr. Liao Jie, Mr. Zhang Zhilin, Mr. Cheng Wusheng, Mr. Zhou Penghong and Mr. Luo Chaoen as a whole have been considered as the Controlling Shareholders since the listing of the Company on the main board of the Stock Exchange in December 2007. As such, all of the Controlling Shareholders including Mr. Chen Weirong, Ms. Shuang Mei and Mr. Liao Jie and their respective associates shall abstain from voting in relation to the Disposal at the EGM.

To the best knowledge of the Directors, as at the Latest Practicable Date, Mr. Chen Weirong, Ms. Shuang Mei and Mr. Liao Jie (including their respective associates) is indirectly interested in 262,020,000 shares, 9,160,000 shares, and 7,160,000 shares of the Company respectively, representing approximately 64.96%, 2.58% and 2.09% of the issued share capital of the Company.

THE INDEPENDENT BOARD COMMITTEE

The independent non-executive Directors are Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus. As such, the Independent Board Committee, comprising Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus, has been established to advise the Independent Shareholders in respect of the Disposal Agreement and the Disposal contemplated thereunder. Shenyin Wanguo has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

Set out on pages 36 to 37 of this circular is a notice convening the EGM which will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Wednesday, 14 October 2009 at 11:00 a.m. at which an ordinary resolution will be proposed to consider and, if thought fit, approve the Disposal Agreement and the Disposal contemplated thereunder by poll.

The form of proxy for use by the Shareholders at the EGM is enclosed with this circular. Whether or not you intend to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrars, Computershare Hong Kong Investor Services Limited at Rooms 1806-1807, 18th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible, and in any event no less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of a form of proxy shall not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so desire.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on page 12 of this circular. The Independent Board Committee, taking into account the advice of Shenyin Wanguo, the text of which is set out on pages 13 to 24 of this circular, considers that the terms of the Disposal Agreement are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned and the Disposal is in the interests of the Group and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution set out in the notice of the EGM to approve the Disposal Agreement and the Disposal contemplated thereunder.

FURTHER INFORMATION

Your attention is drawn to the text of the letters from the Independent Board Committee and Shenyin Wanguo respectively containing their opinions as to the fairness and reasonableness of the terms of the Disposal Agreement.

Your attention is also drawn to the financial information on the Group and the general information as set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
EYANG Holdings (Group) Co., Limited
Chen Weirong
Chairman

EYANG HOLDINGS (GROUP) CO., LIMITED
宇陽控股（集團）有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 117)

25 September 2009

To the Independent Shareholders

Dear Sirs,

MAJOR AND CONNECTED TRANSACTION

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN EYCOM

As the Independent Board Committee, we have been appointed to advise you in connection with the Disposal Agreement and the Disposal contemplated thereunder. Details of the Disposal Agreement and the Disposal contemplated thereunder are set out in the letter from the Board contained in the circular of the Company to the Shareholders dated 25 September 2009 (the "Circular"), of which this letter forms part. Terms defined in the Circular shall have the same respective meanings when used herein unless the context otherwise requires.

Having considered the terms of the Disposal Agreement and the Disposal contemplated thereunder and the advice of Shenyin Wanguo in relation thereto as set out on pages 13 to 24 of the Circular, we are of the opinion that the terms of the Disposal Agreement are fair and reasonable so far as the Shareholders (including the Independent Shareholders) are concerned and the Disposal is in the interests of the Group and the Shareholders (including the Independent Shareholders) as a whole. We therefore recommend that you vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal Agreement and the Disposal contemplated thereunder.

Yours faithfully,
Independent Board Committee

Mr. Chu Kin Wang, Peleus	**Mr. Pan Wei**	**Mr. Liu Huanbin**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of the letter of independent advice from Shenyin Wanguo Capital (H.K.) Limited regarding the Disposal for the purpose of inclusion in this circular:

Shenyin Wanguo Capital (H.K.) Limited
28th Floor, Citibank Tower
Citibank Plaza
3 Garden Road
Hong Kong

25 September 2009

To *The Independent Board Committee and*
the Independent Shareholders of
EYANG Holdings (Group) Co., Limited

Dear Sir or Madam,

MAJOR AND CONNECTED TRANSACTION

PROPOSED DISPOSAL OF THE ENTIRE EQUITY INTEREST IN EYCOM

INTRODUCTION

We refer to the circular of EYANG Holdings (Group) Co., Limited dated 25 September 2009 (the "**Circular**"), of which this letter forms part, regarding the proposed disposal of the entire equity interest in Eycom by the Group to Weichuang Investment (the "**Transaction**"). Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Circular.

The Transaction constitutes a major transaction for the Company under Chapter 14 of the Listing Rules. Weichuang Investment is a connected person of the Company under the Listing Rules as Mr. Chen Weirong, Ms. Shuang Mei and Mr. Liao Jie who in aggregate own 85% of the registered capital of Weichuang Investment are the Controlling Shareholders and the executive Directors. As such, the Transaction also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules. The Transaction is subject to the approval of the Independent Shareholders at the EGM by way of poll. Details regarding the EGM are set out in the Circular. All of the Controlling Shareholders including Mr. Chen Weirong, Ms. Shuang Mei and Mr. Liao Jie and their respective associates shall abstain from voting in respect of the Transaction at the EGM.

We, Shenyin Wanguo Capital (H.K.) Limited, have been appointed by the Company as the independent financial adviser to advise you on the Transaction, details of which are set out in the Circular. In this letter, we will make recommendations to you as to whether the Transaction is on normal commercial terms, in the ordinary and usual course of business of the Group, the terms of which are fair and reasonable and in the interests of the Company and the Shareholders as a whole as well as to advise the Independent Shareholders on how to vote at the EGM in respect of the Transaction.

The Independent Board Committee, comprising all of the three independent non-executive Directors, namely Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus, has been established to advise the Independent Shareholders, taking into account our recommendations, as to whether the terms of the Transaction are fair and reasonable and whether the Transaction is in the interests of the Company and the Shareholders as a whole as well as to advise the Independent Shareholders on how to vote at the EGM in respect of the Transaction. The advice of the Independent Board Committee as regards the Transaction is contained in its letter included in the Circular.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and statements supplied, opinions and representations expressed by the Company and the Directors and have assumed that all such information and statements supplied, opinions and representations expressed to us were true, accurate and complete in all material aspects at the time they were provided and continue to be true up to the date of the EGM. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information and statements supplied as well as opinions and representations expressed to us.

We consider that we have been provided with sufficient information to enable us to reach our advice and recommendations as set out in this letter and to justify our reliance on the accuracy of such information. We have no reason to suspect that any material facts or information (which are known to the Company) have been omitted or withheld from the information or statements supplied, or opinions or representations expressed to us nor to doubt the truth and accuracy of the information and statements supplied, or the reasonableness of the opinions and representations expressed to us. We have not, however, carried out any independent verification on the information provided to us by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business or affairs or future prospects of the Group.

PRINCIPAL FACTORS AND REASONS CONSIDERED

We have taken into account the following principal factors and reasons in arriving at our recommendations with regard to the Transaction:

Principal terms of the Transaction

On 8 September 2009, the Board announced that on 4 September 2009, Eyang Shenzhen (an indirect wholly-owned subsidiary of the Company) as vendor and Weichuang Investment as purchaser entered into the Disposal Agreement. Pursuant to the Disposal Agreement, Eyang Shenzhen has conditionally agreed to sell and Weichuang Investment has conditionally agreed to purchase the entire equity interest in Eycom, being a wholly-owned subsidiary of Eyang Shenzhen. Eycom is principally engaged in the manufacture and sale of mobile phones. The principal terms of the Transaction are as follows:

(i) The entire equity interest in Eycom shall be disposed of by the Group to Weichuang Investment.

(ii) The Initial Consideration amounts to RMB3,444,850.85 which shall be payable by Weichuang Investment to Eyang Shenzhen in cash at Completion. The Initial Consideration is equal to the unaudited net asset value of Eycom as at 30 June 2009 of RMB23,444,850.85 under IFRS adjusted for the Dividend of RMB20,000,000.

(iii) The Initial Consideration is subject to the adjustment mechanism (the "**Adjustment Mechanism**") as follows:

The net asset value of Eycom under IFRS as at the date of Completion will be audited by qualified accountants. In the event that the Audited NAV is higher than the Initial Consideration, the total Consideration payable by Weichuang Investment will be increased by an amount equivalent to the difference between the Audited NAV and the Initial Consideration which will be required to be paid by Weichuang Investment within five Business Days from the date on which the Audited NAV having been ascertained in writing by parties to the Disposal Agreement. In the event that the Audited NAV is lower than the Initial Consideration, there will not be any adjustment to the Initial Consideration and the total Consideration will remain the same as the Initial Consideration.

(iv) Completion is conditional upon: (a) the Disposal Agreement being duly signed by the parties thereto; (b) the passing of an ordinary resolution by the Independent Shareholders at the EGM approving the entering into of the Disposal Agreement and performance of the Disposal thereunder; and (c) the obtaining of all necessary approvals in connection with the entering into of the Disposal Agreement and performance of the Disposal thereunder by the relevant shareholders, shareholder's meeting and/or the board of directors of Eycom, Eyang Shenzhen and Weichuang Investment respectively. As stated in the Circular, conditions (a) and (c) have been fulfilled.

According to (iv) above, Completion will take place when the Independent Shareholders approve the relevant resolution in respect of the Transaction at the EGM, and Weichuang Investment will be required to pay Eyang Shenzhen the Initial Consideration in cash at Completion. We consider that such payment term is fair and reasonable.

We consider that the Adjustment Mechanism is fair and reasonable and in the interests of the Company and the Shareholders as a whole as Weichuang Investment will further pay Eyang Shenzhen an amount equivalent to the difference between the Audited NAV and the Initial Consideration if the Audited NAV turns out to be higher than the Initial Consideration whereas Eyang Shenzhen will not be required to return any difference to Weichuang Investment if the Audited NAV turns out to be lower than the Initial Consideration.

Business and performance of the Group

The Group is principally engaged in the manufacture and sale of MLCCs and mobile phones. The Shares were listed on the Main Board of the Stock Exchange on 21 December 2007 ("**Listing Date**").

The Group was initially engaged in the MLCC business only. MLCC is a type of capacitor, which is an electrical device that stores and releases electric charge, and is a basic electronic component that has been widely used in information technology, communication and consumer electronic products. The Group is a pioneer in the PRC to develop 0402 mini MLCC adopting the base metal electrode technology.

In order to capture the business opportunities in the PRC mobile phone industry, the Group developed its mobile phone business by initially investing in mobile phone related companies in 2002. Since December 2005, the Group has been directly engaged in the manufacture and sale of mobile phones under its own brand.

Over 33.5% and 40.3% of the Group's products were sold to countries outside the PRC in 2008 and the first half of 2009 respectively.

Set out below are the financial information of the Group and commentary extracted from the annual reports and interim reports of the Company:

	(Unaudited) Six months ended 30 June				(Audited) Year ended 31 December					
	2009		2008		2008		2007		2006	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Segment revenue										
- MLCC business	128,572	41.4	109,368	29.9	232,646	29.9	221,545	26.5	182,402	26.8
- Mobile phone related business	181,671	58.6	256,262	70.1	545,161	70.1	613,063	73.5	499,215	73.2
	310,243	100.0	365,630	100.0	777,807	100.0	834,608	100.0	681,617	100.0
Segment result and margin										
- MLCC business	22,001	17.1	24,784	22.7	37,715	16.2	45,861	20.7	24,579	13.5
- Mobile phone related business	(10,703)	(5.9)	(3,178)	(1.2)	(8,463)	(1.6)	43,193	7.0	25,691	5.1

For the year ended 31 December 2007, the turnover of the Group's MLCC business increased by approximately 21.5% to RMB221.5 million and the related segment profit increased by approximately 86.6% to RMB45.9 million. The Directors considered that the Group experienced the growth of its MLCC business, which was mainly attributable to the Group's technological innovation, expansion of sales and marketing network and better management of the Group, amid the challenges posed by the U.S. sub-prime mortgage crisis and the appreciation of Renminbi.

For the same year, the turnover of the Group's mobile phone related business increased by approximately 22.8% to RMB613.1 million and the related segment profit increased by approximately 68.1% to RMB43.2 million. The Directors considered that due to the Group's sales and marketing network and services provided to its customers, the Group managed to achieve satisfactory results for its mobile phone related business during 2007. However, we have noted from the prospectus of the Company dated 11 December 2007 that pursuant to《關於第四批取消和調整行政審批項目的決定》(Decision Regarding the Fourth Batch of the Cancellation and Adjustment of Administration Approval Project) issued by the State Council of the PRC on 9 October 2007, the requirement for obtaining the approval for the investment in mobile phone production as set out in《移動通信系統及終端投資項目核准的若干規定》(Several Provisions on Approval of Telecommunications System and Mobile Terminals Investment Project) has been removed. The Directors considered that as a result of such removal, the competition in the PRC mobile phone industry was further intensified. The Directors also noted that the mobile phone industry in the PRC was highly competitive with a plunging industry profit margin, and there were an increasing number of domestic and overseas mobile phone manufacturers who had exited or planned to exit the market.

In 2008, the global economy was hard hit by the financial tsunami. For the year ended 31 December 2008, the turnover of the Group's MLCC business increased by approximately 5.0% to RMB232.6 million and the related segment profit decreased by approximately 17.8% to RMB37.7 million. During the fourth quarter of 2008, the Group experienced the drop in demand for its MLCC products from customers in the United States and Europe. The Directors considered that the Group's South Korean counterparts enjoyed the competitive price advantage due to the depreciation of Korean Won as well as the appreciation of Renminbi. The Group responded the challenge by re-aligning its target market back to mainland China which suffered relatively less from the financial tsunami in 2008. The Group also continued its technological innovation and optimised its product portfolio so that the growth of the Group's turnover and related gross margin for its MLCC business was recorded for the year.

For the same year, the turnover of the Group's mobile phone related business dropped by approximately 11.1% to RMB545.2 million and the related segment loss of approximately RMB8.5 million was recorded. The Directors considered that the financial tsunami in 2008 further intensified the competition in the mobile phone market in the PRC which was already saturated. During the year, the Group adjusted down the selling prices for its mobile phone products due to the market competition.

For the six months ended 30 June 2009, the turnover of the Group's MLCC business increased by approximately 17.6% to RMB128.6 million and the related segment profit decreased by approximately 11.2% to RMB22.0 million as compared to the corresponding period last year respectively. The Directors noted that the Group's MLCC business was inevitably under the pressure of diminishing demand from foreign customers due to the slump of global demand for electronic products as a result of the economic recession encountered by such major developed economies as Europe, the United States and Japan. The Group's management adopted a series of measures to mitigate the damage caused by such pervasive global economic recession including repositioning the Group's MLCC business by increasing the proportion of PRC clients in its portfolio of clients. This enabled the Group to benefit from the relatively steady market environment in the PRC.

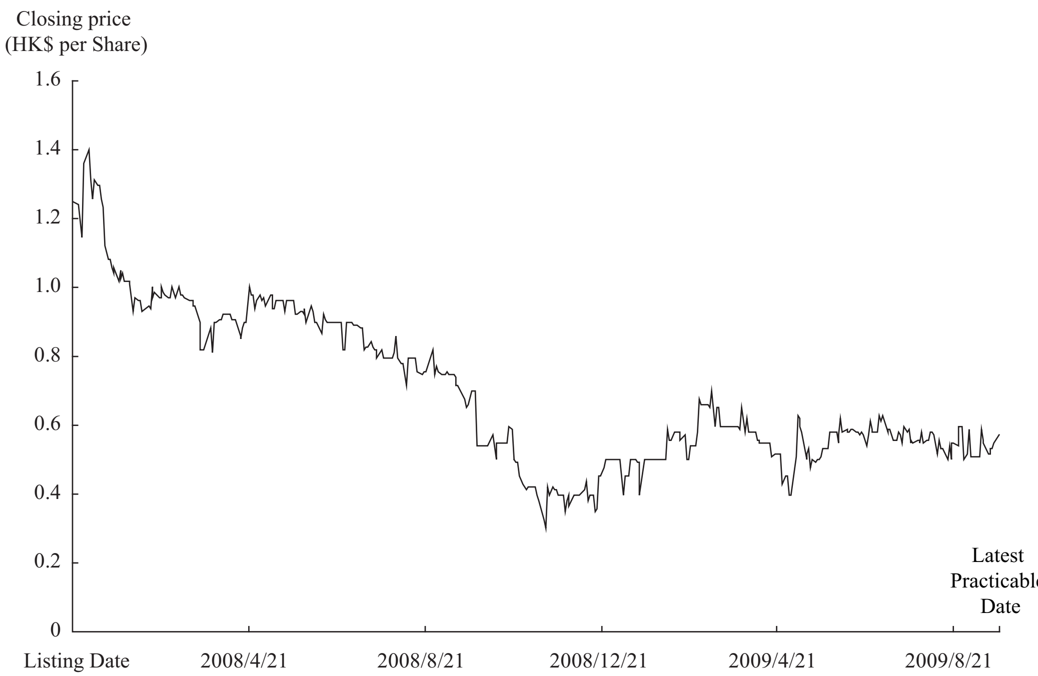
For the same period, the turnover of the Group's mobile phone related business decreased by approximately 29.1% to RMB181.7 million and the related segment loss significantly increased by approximately 236.8% to RMB10.7 million as compared to the corresponding period last year respectively. The Directors considered that the poor performance of the Group's mobile phone related business was mainly due to the reckless competition in the PRC mobile phone industry which had been going on for some time.

Other recent developments of the Group

We have noted that on 12 November 2008, the Board announced the change of use of certain remaining proceeds from the listing of the Shares (the "**Listing**"). The proceeds of approximately HK$17.3 million were intended to be used to further develop the Group's mobile phone related business, in particular, the 3G related products and production. However, due to the Board's expectation that the deteriorating market environment in the PRC for the Group's mobile phone business may not be improved in the near future and the development of the 3G mobile phone industry in the PRC may slow down as a result of the financial tsunami in 2008, the Board resolved to change the use of the proceeds of approximately HK$17.3 million to facilitate the development of the Group's MLCC business and to further strengthen its position in the market.

On 1 December 2008, the Board announced that the Group acquired the land use rights for a parcel of land in Chuzhou City, Anhui Province, PRC ("**Land**") from 中華人民共和國安徽省滁州市國土資源和房產管理局 (Bureau of Land Resources and Real Estate Properties in Chuzhou City, Anhui Province, PRC) for a cash consideration of RMB11.2 million (approximately HK$12.7 million as stated in the circular of the Company dated 15 December 2008). The Land has a total site area of approximately 66,667 square metres and is close to the Yangtze River Delta area which is one of the most developed regions in the PRC. To facilitate the development of its growing MLCC business and to better serve its customers in and around the Yangtze River Delta area, the Group principally intends to develop the Land as a production base for its MLCC and relevant products.

Share price performance



Source: Bloomberg

The offer price was HK$1.30 per Share at Listing. The Share price peaked at HK$1.65 per Share on 31 December 2007 with the closing price being HK$1.40 per Share on the same day and had been trading on a downward trend since then until 12 November 2008. We consider that such unsatisfactory performance of the Share price after Listing could be due to, among other things, the poor performance of the Group's mobile phone related business which has affected the overall performance of the Group as a whole. The lowest closing price of HK$0.30 per Share was recorded on 12 November 2008. Since then, the Share price appears to have come back up on an upward trend. We consider that such recovery trend could be due to, among other things, the market expectation on the turnaround of the Group's business following the announcement of the Company on 12 November 2008 regarding the change of use of certain remaining proceeds from the Listing as discussed in the sub-section headed "Other recent developments of the Group" in this letter. We have also noted that on 9 September 2009, being the first trading day after the announcement of the Company regarding, among other things, the Transaction, the Share price closed at HK$0.59 per Share as compared to HK$0.51 per Share on 4 September 2009, being the last trading day immediately before the short suspension of trading in the Shares for the same announcement, which represents an increase of approximately 16%. The closing price was HK$0.57 per Share as at the Latest Practicable Date. The averaged closing price is approximately HK$0.6938 per Share for the period from the Listing Date to the Latest Practicable Date.

Evaluation of the Consideration

Pursuant to the Disposal Agreement, the Initial Consideration is RMB3,444,850.85. The Directors have advised that the Initial Consideration was determined after arm's length negotiations between Eyang Shenzhen and Weichuang Investment and arrived at on normal commercial terms with reference to the unaudited net asset value of Eycom as at 30 June 2009 prepared in accordance with IFRS, which was RMB23,444,850.85, and after the payment of the Dividend of RMB20,000,000. The Directors have further advised that the Dividend has already been paid.

We consider that the basis of the Initial Consideration being the net asset value of Eycom is fair and reasonable given that Eycom recorded net losses for the year ended 31 December 2008 and the first half of 2009, as advised by the Directors; and the Board's expectation that the deteriorating market environment in the PRC for the Group's mobile phone business may not be improved in the near future.

In evaluating the Initial Consideration, we consider comparing the price to book multiple ("**PBR**") implied in the Transaction with the historical PBRs of selected comparable companies. The Initial Consideration represents one time of the net book value of Eycom as at 30 June 2009 adjusted for the Dividend. We consider the price to earnings multiple is not applicable in this case as Eycom was loss making for the year ended 31 December 2008. We have searched for all comparable companies listed in Hong Kong which are principally engaged in the manufacture and sale of mobile phones under their own brands without substantially involving in other businesses. Based on such criteria, we have identified the following comparable companies on a best effort basis:

Company name	Stock code	Scope of business	Market capitalisation	Unaudited consolidated net assets attributable to shareholders	Audited annual consolidated profit (loss) attributable to shareholders	Historical PBR
			(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*
			HK$'000	*HK$'000*	*HK$'000*	*Times*
China Wireless Technologies Limited (**"China Wireless"**)	2369	Research, development, production and sale of mobile phones under its key brand "Coolpad"; and property investment	1,208,721	685,322	(79,076)	1.76
TCL Communication Technology Holdings Limited (**"TCL"**)	2618	Research, development, manufacturing and sale of mobile phones under two key brands "TCL" and "Alcatel" and related components	657,846	960,562	28,491	0.68
					Average	1.22

Notes:

1. Source: Bloomberg as at 4 September 2009 being the date of the Disposal Agreement.

2. Extracted from the respective interim reports for the six months ended 30 June 2009. We have also noted that TCL reported a loss of HK$104 million and China Wireless reported a profit of HK$32 million for the six months ended 30 June 2009.

3. Extracted from the respective annual reports for the year ended 31 December 2008.

4. Historical PBR = market capitalisation ÷ unaudited consolidated net assets attributable to shareholders.

As illustrated above, the historical PBRs for the selected comparable companies range between 0.68 time and 1.76 times ("**Range**") and the average of the same historical PBRs is 1.22 times. We consider that the PBR of one time implied in the Transaction is fair and reasonable as it falls within the Range albeit it is lower than the average of the same historical PBRs.

Financial effects of the Transaction on the Group

Upon Completion, Eycom shall cease to be a subsidiary of the Company. Therefore, the financial statements of Eycom shall no longer be consolidated into the financial statements of the Group after Completion.

(i) Earnings

Based on the Initial Consideration of approximately RMB3.4 million and the unaudited net asset value of Eycom of approximately RMB23.4 million adjusted for the Dividend of RMB20 million, the Group would record no gain or loss as a result of the Transaction. The Directors expect that the professional fees and other expenses incurred by the Company in connection with the Transaction are not significant. As Eycom was loss making for the year ended 31 December 2008 and the six months ended 30 June 2009, the Directors anticipate that the Transaction will improve the recurring earnings of the Group subsequent to Completion.

(ii) Net asset value

Based on the Initial Consideration of approximately RMB3.4 million and the unaudited net asset value of Eycom of approximately RMB23.4 million adjusted for the Dividend of RMB20 million which has already been paid, the Group would record no change to its net asset value as a result of the Transaction.

(iii) Working capital

The Directors have advised that the working capital of Eycom as at 30 June 2009 adjusted for the Dividend was in a negative position of approximately RMB1.2 million. Accordingly, the Transaction is expected to result in an improvement in the working capital position of the Group. The Directors have further advised that the proceeds from the Transaction of approximately RMB3.4 million (without taking into account the Adjustment Mechanism) will be used as general working capital of the Group for the development of its MLCC business. In view of the improvement in the working capital position of the Group and the proceeds available to the Group as a result of the Transaction, we consider that the working capital position of the Group would be strengthened accordingly.

In light of the Adjustment Mechanism, the Group may record a gain, and the net asset value of the Group will increase by the same amount, equivalent to the difference between the Initial Consideration and the Audited NAV in the event that the Audited NAV turns out to be lower than the Initial Consideration. In the event that the Audited NAV turns out to be higher than the Initial Consideration, Weichuang Investment will need to pay the Group the difference between the Audited NAV and the Initial Consideration. In such case, there will be no further gain or loss to be recorded by the Group and the net asset value of the Group will remain unchanged as a result of the Adjustment Mechanism.

Taking into account the improvement in the working capital position of the Group and the possible improvement in earnings and net asset value of the Group as a result of the Transaction, we consider that from the financial perspective, the Transaction is in the interests of the Company and the Shareholders as a whole.

DISCUSSION AND ANALYSIS

The Group currently has two businesses, namely the MLCC business and mobile phone business. The Group suffered from the declining turnovers and continuing losses for its mobile phone business for the year ended 31 December 2008 and the first half of 2009, mainly due to the intensified market competition and the counterfeit mobile phone issues. The Directors consider that the deteriorating market environment for the mobile phone industry in the PRC has not only prevented the Group's mobile phone business from making a turnaround, but also put it in a downward spiral. Since Listing, the Share price has been performing unsatisfactorily which could be due to, among other things, the poor performance of the Group's mobile phone related business. The lowest closing price of HK$0.30 per Share was recorded on 12 November 2008. Since then, the Share price has come back up on an upward trend, which could be due to, among other things, the market expectation on the turnaround of the Group's business following the announcement of the Company regarding the change of use of certain remaining proceeds from the Listing. On the first trading day after the announcement of the Company regarding, among other things, the Transaction, the Share price jumped approximately 16% to close at HK$0.59 per Share.

The Directors consider that the entering into of the Disposal Agreement provides the Group with an opportunity to exit the mobile phone market and also enables the Group to focus its resources on the development of its growing MLCC business. With the purchase of the Land, strong research and development capability and competitive pricing structure for the MLCC products, the Directors are optimistic about the prospects of the Group's MLCC business. We consider that the Transaction represents a reasonable strategic move to streamline and rationalise the Group's business, albeit the Group will be left to concentrate on one business segment after Completion.

The Initial Consideration determined with reference to the unaudited net asset value of Eycom as at 30 June 2009 adjusted for the Dividend represents one time implied PBR, which is considered to be a reasonable basis given that (i) Eycom recorded net losses for the year ended 31 December 2008 and the first half of 2009; (ii) the Board's expectation that the deteriorating market environment in the PRC for the Group's mobile phone business may not be improved in the near future; and (iii) one time implied PBR falls within the Range. We also consider that the Adjustment Mechanism is fair and reasonable and in the interests of the Company and the Shareholders as a whole as it ensures that the Group will not be disadvantaged in the event that the Audited NAV turns out to be higher than the Initial Consideration.

The Transaction is expected to result in either no change to or a possible improvement in the earnings and the net asset value of the Group, and an improvement in the working capital position of the Group. We consider that from the financial perspective, the Transaction is in the interests of the Company and the Shareholders as a whole.

OPINION

Having taken into account the principal factors and reasons set out above, we are of the view that the Transaction, which is not in the ordinary and usual course of business of the Group, is on normal commercial terms, and the terms of the Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,
for and on behalf of
Shenyin Wanguo Capital (H.K.) Limited
Willis Ting **Felix Chan**
Managing Director *Associate Director*

1. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, save for the profit warning announced on 24 July 2009 for the six months ended 30 June 2009, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2008, the date to which the latest audited financial statements of the Company were made up.

2. INDEBTEDNESS

As at the close of business on 31 August 2009, being the latest practicable date for the purpose of ascertaining certain information contained in this indebtedness statement prior to the printing of this circular, the Group had a secured bank loan of approximately RMB10.4 million denominated in United State dollars, an unsecured but guaranteed bank loan of approximately RMB6.9 million denominated in United States dollars and a secured bank loan of approximately RMB30 million denominated in Renminbi, resulting in total bank borrowings of approximately RMB47.3 million.

As at 31 August 2009, the Group has capital commitments of approximately RMB4.4 million with respect to construction works and approximately RMB14.5 million for equipment, which all have been authorised, contracted but not provided for.

The Directors confirm that the Group has no material contingent liabilities as at 31 August 2009.

The Directors confirm that, save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities and normal trade payables, the Group did not have, as at the close of business on 31 August 2009, any debt securities authorized or otherwise created but unissued, or term loans or bank overdrafts, loans or similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, or obligations under hire purchase contracts.

3. MANAGEMENT'S DISCUSSION ON THE GROUP'S PERFORMANCE

BUSINESS REVIEW

During the period between 2008 and the first half of 2009, the global demand for electronic products slumped as a result of the economic recession encountered by such major developed economies as the Europe, the U.S. and Japan. The Group's major businesses were severely challenged. For the first six months of 2009, the Group's total revenue declined by 15.1% with its profit after tax attributable to shareholders decreased by 52.7% compared to the corresponding period of 2008.

For the first six months of 2009, the Group's MLCC business, an export oriented segment, was inevitably under the pressure of diminishing demand from foreign buyers. The management of the Company has adopted a series of measures to mitigate the damage caused by such pervasive global economic recession. In the face of declining export demand, the MLCC segment has repositioned itself by increasing the proportion of PRC clients in its portfolio. This has enabled the Group to benefit from the relatively steady market environment in the PRC. During the period, the revenue of MLCC business recorded a 17.6% increase over the corresponding period last year. Nevertheless, more marketing resources will be required to explore the PRC market where small to medium enterprises accounted for the majority of its clientele.

As reckless competition went on in the PRC mobile industry, revenue from the mobile phone segment dropped by 29.1% compared to the corresponding period of 2008.

Results Analysis

Revenue was RMB310.2 million for the six months ended 30 June 2009, representing a 15.1% decrease over the same period in 2008. The decline of sales revenue of mobile phone segment mainly accounted for the decrease during the period.

Gross profit for the first six months of 2009 declined to RMB32.9 million from RMB46.5 million in 2008, and the overall gross margin decreased from 12.7% in 2008 to 10.6% in 2009. This is mainly because of the Group's deployment of more resources and lowering of average selling price to adapt to the PRC market environment in order to further develop MLCC's business there, which resulted in the decrease of the gross margin of the MLCC segment to 22.2% from 29.3% in 2008 and hence dragged down the overall gross margin of the Group. During the same period, the Company managed to increase the sales proportion of high-end mobile phone, but the vicious price competition of the general mobile phone market drove the gross margin of the Group's mobile phone business to further decrease from 5.7% to 2.5%.

Profit for the period attributable to the shareholders of the Company for the six months ended 30 June 2009 was RMB5.2 million (2008: RMB10.9 million), a 52.7% decrease from the same period in 2008. Such deteriorating profit for the period was mainly attributable to the decrease in gross profit of the mobile phone business.

Administrative expenses decreased from RMB12.3 million for the six months period ended 30 June 2008 to RMB6.4 million for the corresponding period in 2009. The decrease was attributable to the prompt and multiple measures like reduction in wages and expenses the management took to deal with the global financial crisis.

Tax expense was RMB1.58 million for the six months ended 30 June 2009 and over provision for the prior year recognised during the period was RMB3.70 million. The accreditation of “High and New Technology Enterprise” to Shenzhen Eyang Technology Development Co., Ltd. (hereinafter referred to as Shenzhen Eyang), a wholly-owned subsidiary of the Group, by the Central Government in December 2008 entitled Shenzhen Eyang to a 15% corporate income tax rate for 3 years starting from 2008. The income tax of Shenzhen Eyang and the Dongguan branch office of Shenzhen Eyang Technology Development Co., Ltd. (hereinafter referred to as Shenzhen Eyang Dongguan Branch) for the first half of 2009 was determined at the rate of 15%.

FINANCIAL RESOURCES

Liquidity and financial resources

As at 30 June 2009, total current assets and current liabilities were RMB392.8 million and RMB273.6 million respectively (as at 31 December 2008: RMB386.0 million and RMB282.7 million respectively), which resulted in a net current assets of RMB119.2 million (as at 31 December 2008: RMB103.3 million). To build up a broader client base in the domestic market, the Group’s MLCC business has adopted a longer credit term policy as an incentive. Hence the Trade and Bills Receivables increased to RMB137.2 million as at 30 June 2009 from RMB95.5 as at 30 June 2008. As at 30 June 2009, cash and cash equivalent amounted to RMB83.5 million (as at 31 December 2008: RMB109.9 million), a decrease by RMB26.4 million as compared to that as at 31 December 2008.

Gearing ratio

The Group monitors capital through gearing ratio, being net liabilities divided by capital and net liabilities. Net liabilities are determined as the aggregate of bank loans, trade and bills payables and other payables less cash and cash equivalent. Capital refers to the equity attributable to the equity holders of the parent company. As at 31 December 2008 and 30 June 2009, the gearing ratio of the Company was approximately 23% and 27% respectively.

Interest rate, exchange rate and contingent liabilities

Given the loose monetary policy adopted by the Central Government since the outbreak of financial crisis, coupled with the Group’s minimal level of borrowings, the Group does not expect any significant interest rate risk in the foreseeable future. The Group’s export sales were mainly denominated in US dollars and Hong Kong dollars where the exchange rates of such currencies remained relatively stable in the first half of 2009. The management will keep on monitoring the development of the global foreign exchange market and, if necessary, employ appropriate measures to hedge against any potential exchange risks. There were no contingent liabilities for the Group as at 30 June 2009 (2008: nil).

4. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The PRC market remains one of the few regions where solid economic growth and tremendous investment opportunities can be seen. As various key economic indicators show, China's economy is back on the recovery track, thanks to the Central Government's recent stimulus packages and loose monetary policy. By shifting its business focus to the PRC market, the Group's MLCC business is set to benefit from China's economic revival. The Group has been in full gear to improve MLCC's research and development capabilities to gain competitive edges on the R&D front. In addition, the Directors also consider that the Disposal enables the Group to focus its resources into the development of the growing MLCC business.

5. WORKING CAPITAL

The Directors are of the opinion that after taking into account the available loan facilities and internal resources of the Group, the Group has sufficient working capital for its requirements for the next 12 months following the date of this circular.

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

2. DISCLOSURE OF INTERESTS

DIRECTORS AND CHIEF EXECUTIVE'S INTERESTS

As at the Latest Practicable Date, the interests or short positions of the directors and the chief executive in the shares, underlying shares and debentures of the Company or its associated corporations, within the meaning of Part XV of the SFO, which had 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 he was taken or deemed to have under such provisions of the SFO) or which would be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein or which would be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, are as follows:

Name of Director	Company/ Name of associated corporation	Capacity/ Nature of interest	Amount of share capital/ registered capital held	Interests in underlying shares*	Total	Approximate percentage of interest in the Company/ associated corporations *(%)*
Mr. Chen Weirong	Company	Interest of controlled corporations(1)	262,020,000	1,400,000	263,420,000	64.96%
Ms. Shuang Mei	Company	Corporate interest(2)	9,160,000	1,300,000	10,460,000	2.58%
Mr. Liao Jie	Company	Corporate interest(3)	7,160,000	1,300,000	8,460,000	2.09%
Mr. Cheng Wusheng	Company	Corporate interest(4)	16,160,000	–	16,160,000	3.99%
Mr. Li Heqiu	Company	Corporate interest(5)	20,800,000	–	20,800,000	5.13%
Mr. Zhang Zhilin	Company	Corporate interest(6)	23,120,000	–	23,120,000	5.70%

* Interests in the underlying shares represent interests in share options granted on 22 January 2008 pursuant to the Share Option Scheme adopted on 30 November 2007, further details of which are set out in section "Share Option Scheme".

Notes:

(1) Mr. Chen Weirong legally owns 100% of the issued share capital of Eversharp Management Limited, which in turn legally owns 42.71% of the issued share capital of EY SHINE Management Limited (`'EY Shine"). Mr. Chen Weirong also legally owns 100% of the issued share capital of Everbright Management Limited, which owns 36.01% of the issued share capital of EY Shine. EY Shine legally owns 60.31% of EY Ocean. For the purposes of Part XVof the SFO, Mr. Chen Weirong is deemed to be interested in all the shares held by EY Ocean.

(2) Ms. Shuang Mei legally owns 100% of the issued share capital of HE-YANG Management Limited, which in turn legally owns 5.79% of the issued share capital of EY Shine. EY Shine legally owns 60.31% of EY Ocean. Ms. Shuang Mei therefore is indirectly interested in approximately 9,160,000 shares.

(3) Mr. Liao Jie legally owns 100% of the issued share capital of LJ Management Limited, which in turn legally owns 4.53% of the issued share capital of EY Shine. EY Shine legally owns 60.31% of EY Ocean. Mr. Liao Jie therefore is indirectly interested in approximately 7,160,000 shares.

(4) Mr. Cheng Wusheng legally owns 100% of the issued share capital of WUSHENG Management Limited, which in turn legally owns 6.17% of the issued share capital of EY Ocean. Mr. Cheng Wusheng therefore is indirectly interested in approximately 16,160,000 shares.

(5) Mr. Li Heqiu legally owns 100% of the issued share capital of HEQ Management Limited, which own 7.94% of the issued share capital of EY Ocean. Mr. Li Heqiu therefore is indirectly interested in approximately 20,800,000 shares.

(6) Mr. Zhang Zhilin legally owns 100% of the issued share capital of ZHILIN Management Limited, which in turn legally owns 8.82% of the issued share capital of EY Ocean. Mr. Zhang Zhilin therefore is indirectly interested in approximately 23,120,000 shares.

Save as disclosed above, as at the Latest Practicable Date, none of the directors or chief executive (including their respective spouse and children under the age of 18) or their respective associates had an interest or short position in the shares, underlying shares and debentures the Company or its subsidiaries or any of its associated corporations, which was required to be recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as the directors and management of the Company were aware, as at the Latest Practicable Date, shareholders (other than the interest disclosed above in respect of the directors and chief executive of the Company) who had an interests or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company and Stock Exchange of Hong Kong (the "Stock Exchange") and recorded in the register required to be kept under Section 336 of the SFO were as follows:

Name share holding	Capacity	Number of Shares	Approximate percentage of
EY Ocean Management Limited	Beneficial owner	262,020,000	64.62%
EY SHINE Management Limited	Interest of a controlled corporation[1]	262,020,000	64.62%
Eversharp Management Limited	Interest of a controlled corporation[2]	262,020,000	64.62%
Everbright Management Limited	Interest of a controlled corporation[3]	262,020,000	64.62%
Legend New-Tech Investment Limited	Beneficial owner	26,920,000	6.64%
Right Lane Limited	Interest of a controlled corporation[4]	26,920,000	6.64%
聯想控股有限公司 (Legend Holding Limited*)	Interest of a controlled corporation/ Beneficiary of trusts[5]	26,920,000	6.64%
中國科學院國有資產經營有限公司 (Chinese Academy of Sciences Holdings Co., Ltd.*)	Interest of a controlled corporation[5]	26,920,000	6.64%
聯想控股有限公司職工持股會 (Employees' Shareholding Society of Legend Holding Limited*)	Interest of a controlled corporation[5]	26,920,000	6.64%

* *for identification purpose only*

Notes:

(1) EY SHINE Management Limited ("EY Shine") is interested in approximately 60.31% of the issued capital of EY Ocean and is entitled to exercise or control the exercise of one-third or more of the voting power at its general meeting. EY Shine is therefore deemed to be interested in all the Shares held by EY Ocean.

(2) Eversharp Management Limited ("Eversharp") is interested in approximately 42.71% of the issued capital of EY Shine and is entitled to exercise or control the exercise of one-third or more of the voting power at its general meeting. Eversharp is therefore deemed to be interested in all the Shares held by EY Ocean.

(3) Everbright Management Limited ("Everbright") is interested in approximately 36.01% of the issued capital of EY Shine and is entitled to exercise or control the exercise of one-third or more of the voting power at its general meeting. Everbright is therefore deemed to be interested in all the Shares held by EY Ocean.

(4) Right Lane Limited legally owns the entire issued share capital of Legend New- Tech Investment Limited. Right Lane Limited is therefore deemed to be interested in all the Shares held by Legend New-Tech Investment Limited.

(5) 聯想控股有限公司 (Legend Holding Limited*) is interested in the entire issued share capital of Right Lane Limited. 聯想控股有限公司 (Legend Holding Limited*) legally owns 50% of the issued share capital of Right Lane Limited and also owns the remaining 50% of the issued share capital of Right Lane Limited as a beneficiary of two trusts. Liu Chuanzhi is holding 25% of the issued share capital of Right Lane Limited as a trustee for and on behalf of Legend Holding Limited. Zhang Zuxiang is holding 25% of the issued share capital of Right Lane Limited as a trustee for and on behalf of Legend Holding Limited. 聯想控股有限公司 (Legend Holding Limited*) is owned as to 65% by 中國科學院國有資產經營有限公司 (Chinese Academy of Sciences Holdings Co., Ltd.*) and 35% by 聯想控股有限公司職工持股會(Employees' Shareholding Society of Legend Holding Limited*).

* *for identification purpose only*

Save as disclosed above, as at the Latest Practicable Date the Company had not been notified of any other person who had an interest or short position in the Company's shares or underlying shares which would fall to be disclosed to the Company and the Stock Exchange and as recorded in the register required to be kept under Section 336 of the SFO, or was otherwise a substantial shareholder (as such term is defined in the Listing Rules) of the Company.

3. EXPERT

The following is the qualification of the expert who has been named in this circular or has given advice which is contained in this circular:

Name	Qualification
Shenyin Wanguo	Licensed corporation to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined in the SFO)

Shenyin Wanguo has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Shenyin Wanguo was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group or any interest, either direct or indirect, in any assets which had been, since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired or disposed of by or leased to or were proposed to be acquired or disposed of by or leased to any member of the Group.

4. COMPETING INTERESTS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors and their respective associates are considered to have any interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group.

5. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

6. MATERIAL CONTRACTS

The contracts which have been entered into by the members of the Group since two years preceding the date of this circular, which are not in the ordinary course of business and which are or may be material are as follows:

(1) A share transfer agreement dated 5 December 2007 and entered into between the Company, EY OCEAN Management Limited, Legend New-Tech Investment Limited, SHENGXUE Management Limited, Ever-win Management Limited and Mr. Chen Weiron, pursuant to which the Company agreed to acquire from EY OCEAN Management Limited, Legend New-Tech Investment Limited, SHENGXUE Management Limited and Ever-win Management Limited the entire shareholding interest in Eyang Management held by them in consideration of the Company, crediting as fully paid 4,367,000, 448,500, 98,000 and 86,500 nil paid Shares held by EY OCEAN Management Limited, Legend New-Tech Investment Limited, SHENGXUE Management Limited and Ever-win Management Limited, respectively;

(2) the deed of indemnity dated 10 December 2007 entered into by the indemnifiers named therein in favour of the Company for itself and as trustee for each of its subsidiaries in respect of estate duty and tax liabilities;

(3) the underwriting agreement dated 10 December 2007 relating to the listing of the shares of the Company entered into between, the Company and, among others, the relevant lead manager and underwriters as stated therein;

(4) the land purchase agreement with details disclosed in the related circular of the Company dated 15 December 2008 (the consideration involved is approximately RMB11.2 million); and

(5) the Disposal Agreement (the Consideration involved is approximately RMB3.4 million).

7. MISCELLANEOUS

(a) Each executive Director entered into the service contract with the Company on 30 November 2007 for the term of 3 years from the listing date of the Company, renewable thereafter until termination by giving no less than 3 months' written notice to the other party or pursuant to the terms of the service contract. Save as disclosed, as at the Latest Practicable Date, none of the Directors had any existing nor proposed service contract with any member of the Group other than contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

(b) There were no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director was materially interested and which was significant in relation to the business of the Group.

(c) None of the Directors has, or has had, any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which are proposed to be acquired or disposed of by or leased to, the Company or any of its subsidiaries since 31 December 2008, the date to which the latest published audited consolidated financial statements of the Group were made up.

(d) The branch share registrars and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(e) The registered office of the Company is situated at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-111, Cayman Islands; and its head office and principal place of business in Hong Kong is at 8th Floor, Tien Chu Commercial Building, 173-174 Gloucester Road, Wanchai, Hong Kong

(f) The secretary of the Company is Mr. Leung Wai Chung. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accounts.

(g) The English texts of this circular and the accompanying form of proxy shall prevail over their respective Chinese texts.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays, Sundays and public holidays excepted) at the office of the Company at 8th Floor, Tien Chu Commercial Building, 173-174 Gloucester Road, Wanchai, Hong Kong, from the date of this circular up to and including the date of the EGM and at the EGM:

(a) the memorandum of association and the articles of association of the Company;

(b) the annual reports of the Company for the two years ended 31 December 2007 and 31 December 2008;

(c) the letter of advice from Shenyin Wanguo to the Independent Board Committee and the Independent Shareholders dated 25 September 2009, the text of which is set out on pages 13 to 24 of this circular;

(d) the letter from the Independent Board Committee to the Independent Shareholders dated 25 September 2009, the text of which is set out on page 12 of this circular;

(e) the service contracts referred to in the sub-paragraph (a) under the paragraph headed "Miscellaneous" in this appendix;

(f) the material contracts referred to in the paragraph headed "Material contracts" in this appendix, including the Disposal Agreement; and

(g) the written consent referred to in the paragraph headed "Expert" in this appendix.

EYANG HOLDINGS (GROUP) CO., LIMITED
宇 陽 控 股 （ 集 團 ） 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 117)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of EYANG Holdings (Group) Co., Limited (the "**Company**") will be held at Plaza 3, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Wednesday, 14 October 2009 at 11:00 a.m. for the purpose of considering, and if thought fit, passing, with or without modifications, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTION

"THAT

(a) the sale and purchase agreement dated 4 September 2009 (the "**Agreement**", a copy of which is produced to the meeting marked "A" and initialed by the chairman of the meeting for the purpose of identification) entered into between 深圳市宇陽科技發展有限公司 (Eyang Technology Development Co., Ltd*), an indirect wholly-owned subsidiary of the Company, (the "**Vendor**") as vendor and 深圳市偉創投資有限公司 (Shenzhen Weichuang Investment Co., Ltd.*) (the "**Purchaser**") as purchaser whereby the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to acquire the entire equity interest in 深圳市億通科技有限公司 (Eycom Technology Co., Ltd*) upon the terms and subject to the conditions therein contained and all transactions contemplated under or referred to in the Agreement and any other agreements or documents in connection therewith be and is hereby approved, confirmed and/or ratified; and

(b) any one director of the Company, or any two directors of the Company if the affixation of the common seal is necessary, be and is/are hereby authorized for and on behalf of the Company to execute all such other documents and agreements and do all such acts and things as he or they may in his or their absolute discretion consider to be necessary, desirable, appropriate or expedient to implement and/or give effect to the Agreement and the transactions contemplated thereunder and all matters incidental to, ancillary to or in connection with the Agreement and/or any further agreement or document as mentioned in paragraph (a) above and/or the transactions contemplated therein."

By order of the Board
EYANG Holdings (Group) Co., Limited
Chen Weirong
Chairman

Hong Kong, 25 September 2009

Registered office:
Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1–1111
Cayman Islands

Head office and principal place of business in Hong Kong:
8th Floor
Tien Chu Commercial Building
173–174 Gloucester Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the extraordinary general meeting (the "EGM") convened by the above notice is entitled to appoint one or more proxy to attend and, subject to the provisions of the articles of association of the Company, vote in his stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be deposited together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power or authority, at the office of the Hong Kong branch share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Room 1806–1807, 18/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time for holding the meeting or adjourned meeting.

3. The register of members of the Company will be closed from Monday, 12 October 2009 to Wednesday, 14 October 2009 (both days inclusive), during which period no transfer of shares in the Company was effected. In order to qualify for attending the EGM, all transfers, accompanied by the relevant share certificates, have to be lodged with the Hong Kong branch registrars of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Friday, 9 October 2009.

4. A form of proxy for use at the EGM is enclosed with the circular to the shareholders.

5. In the case of a joint holding, the form of proxy may be signed by any joint holder, but if more than one joint holder is present at the EGM, whether in person or by proxy, that one of the joint holder whose name stands first on the register of members in respect of the relevant joint holding shall alone be entitled to vote in respect thereof.

6. Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the EGM. If such shareholder attends the EGM, his form of proxy will be deemed to have been revoked.

7. The ordinary resolution as set out above will be determined by way of a poll.

8. The translation into Chinese language of this notice is for reference only. In case of any inconsistency, the English language version shall prevail.

* *For identification purpose only*