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)

ANNOUNCEMENT

UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

The Board of Directors (the ''Board'') of EYANG Holdings (Group) Co., Limited (the ''Company'') is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (the ''Group'') for the six months ended 30 June 2011, together with the comparative figures for the corresponding period of 2010.

The unaudited condensed consolidated interim results have been reviewed by the Company's audit committee.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2011

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**173,638**	200,648
Cost of sales		**(140,401)**	(152,978)
Gross profit		**33,237**	47,670
Other income	*4*	**5,623**	6,317
Selling and distribution costs		**(5,151)**	(7,422)
Administrative expenses		**(14,387)**	(12,485)
Research and development costs		**(4,546)**	(4,624)
Other expenses		**372**	(1,542)
Finance costs	*5*	**(4,045)**	(2,279)
PROFIT BEFORE TAX		**11,103**	25,635
Income tax expenses	*6*	**(2,073)**	(4,085)
PROFIT FOR THE PERIOD		**9,030**	21,550

		Unaudited	
		Six months ended 30 June	
		2011	2010
	Notes	***RMB'000***	*RMB'000*
OTHER COMPREHENSIVE INCOME			
Exchange realignment		**1,365**	459
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**10,395**	22,009
Profit for the period attributable to:			
Equity holders of the Company		**9,030**	21,550
Total comprehensive income for the period attributable to:			
Equity holders of the Company		**10,395**	22,009
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY	*7*		
Basic			
— For profit for the period		**2.23 cents**	5.3 cents
— For profit from continuing operations		**2.23 cents**	5.3 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2011

	Notes	**30 June 2011 RMB'000 (Unaudited)**	31 December 2010 RMB'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	*8*	**268,227**	263,854
Investment properties		**29,308**	29,671
Prepaid land lease payments	*9*	**21,072**	21,317
Deferred tax assets		**2,434**	2,342
Other intangible assets		**1,285**	1,369
Total non-current assets		**322,326**	318,553
CURRENT ASSETS			
Inventories		**127,809**	104,421
Trade and bills receivables	*10*	**153,876**	153,099
Prepayments, deposits and other receivables		**13,236**	12,791
Cash and bank balances		**65,033**	48,481
Pledged bank deposits		**85,794**	18,120
Due from related parties		**3,286**	6,910
Total current assets		**449,034**	343,822
CURRENT LIABILITIES			
Trade and bills payables	*11*	**67,507**	57,582
Deferred income, accruals and other payables		**21,344**	33,203
Tax payable		**6,329**	14,948
Interest-bearing bank loans		**229,890**	110,666
Dividends payable		**259**	171

	Notes	**30 June 2011** **RMB'000** **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Total current liabilities		**325,329**	216,570
NET CURRENT ASSETS		**123,705**	127,252
TOTAL ASSETS LESS CURRENT LIABILITIES		**446,031**	445,805
NON-CURRENT LIABILITIES			
Deferred income		**3,065**	3,468
Deferred tax liabilities		**5,515**	5,067
Total non-current liabilities		**8,580**	8,535
Net assets		**437,451**	437,270
EQUITY			
Equity attributable to equity holders of the Company			
Issued capital		**3,824**	3,824
Reserves		**433,627**	423,207
Proposed final dividend		**—**	10,239
Total equity		**437,451**	437,270

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and are in compliance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standard Board (the "IASB"). These unaudited condensed consolidated interim results should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2010.

2. PRINCIPAL ACCOUNTING POLICIES

These condensed consolidated financial statements have been prepared under the historical cost convention and presented in Renminbi. Except as described below, the accounting policies used in these unaudited condensed consolidated interim financial statements are consistent with those adopted in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2010.

2.1 Impact of New and Revised International Financial Reporting Standards

For the current interim period, the Group has adopted for the first time the following new revised International Financial Reporting Standards ("IFRSs") which comprise standards and interpretations issued by the IASB and are effective for the Group's financial year beginning 1 January 2011.

IFRS 1 Amendment	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*
IAS 24 (Revised)	*Related Party Disclosures*
IAS 32 Amendment	Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*
IFRIC 14 Amendments	Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*
IFRIC 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to IFRSs (2010)	Amendments to a number of IFRSs issued in May 2010

The adoption of the above new and revised IFRSs has no material impact on the results and financial position of the Group for the current and prior periods.

2.2 Impact of Issued but Not Yet Effective International Financial Reporting Standards

The Group has not early adopted new and revised IFRSs which have been issued but not yet effective in these financial statements. The Group is in the initial process of assessing the impact of these new and revised IFRSs upon initial application and is not yet able to comment on whether those IFRSs have any material impact on the Group's results of operation and financial position.

3. SEGMENT INFORMATION

For management purpose, the Group is organized into business units based on the nature of their products and services they provide.

The multi-layer ceramic capacitor ("MLCC") segment became the only major continuing reportable operating segment of the Group engaging in manufacture and sale of MLCC and trading of MLCC. Accordingly, no further business segment information is provided.

The following table presents geographic information for the Group's revenue:

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Sales to external customers:		
Mainland China	**96,281**	97,550
Hong Kong and Macau	**62,924**	64,160
America and Europe	**6,596**	37,654
Japan	**2,184**	1,276
Turkey	**2,647**	8
Taiwan	**2,839**	—
India	**167**	—
	173,638	200,648

4. OTHER INCOME

An analysis of other income is as follows:

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Other income		
Bank interest income	**141**	163
Sale of materials	**890**	1,118
Amortisation of deferred income	**403**	403
Rental income	**3,326**	3,124
Others	**653**	509
Government grant	**210**	1,000
	5,623	6,317

5. FINANCE COSTS

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Interest on bank loans	**4,045**	2,279

6. TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the period.

In 2008, the Company's subsidiary Shenzhen Eyang Technology Development Co., Ltd. ("SZ Eyang") (深圳市宇陽科技發展有限公司) obtained the high technology enterprise accreditation which entitled it to an income tax rate of 15%. Other subsidiaries of the Group were subject to the standard corporate income tax ("CIT") of 25% for the period.

	Unaudited Six months ended 30 June	
	2011	2010
	RMB'000	*RMB'000*
Group:		
Current — PRC CIT for the period	**1,718**	2,928
Deferred	**355**	1,157
Total tax charge for the period	**2,073**	4,085

7. EARNINGS PER SHARE

Basis earning per share is calculated on the basis of profit for the period attributable to equity holders of the Company and the weighted average of 405,500,000 ordinary shares in issue during the period (2010: 405,500,000 ordinary shares).

The outstanding share options during the period had no dilutive effective, hence no diluted earnings per share amount are presented.

8. PROPERTY, PLANT AND EQUIPMENT

For the six months period ended 30 June 2011 the total additions of property, plant and equipment amounted to approximately RMB19,012,651 (2010: approximately RMB24,768,789).

9. LAND LEASE PREPAYMENTS

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Opening balance	**21,805**	22,293
Amortisation	**(245)**	(488)
Carrying amount	**21,560**	21,805
Current portion included in prepayments, deposits and other receivables	**(488)**	(488)
Non-current portion	**21,072**	21,317

The Group's leasehold land is held under a medium term lease and is situated in Mainland China.

10. TRADE AND BILLS RECEIVABLES

	30 June 2011 RMB'000 (Unaudited)	31 December 2010 RMB'000 (Audited)
Trade and bills receivables	**162,410**	161,633
Impairment	**(8,534)**	(8,534)
	153,876	153,099

The Group's trading terms with its customers are mainly on credit. The credit period for MLCC customers are generally two to three months and one month respectively. Overdue balances are reviewed regularly by management.

The bills receivable will all be mature within 180 days.

The aged analysis of the trade receivables as at the statement of financial position date, based on the invoice date, is as follows:

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Within 90 days	**96,919**	90,106
91 to 180 days	**11,927**	21,218
181 to 360 days	**688**	634
1 to 2 years	**5,454**	5,454
Over 3 years	**3,080**	3,080
	118,068	120,492
Bills receivable	**44,342**	41,141
	162,410	161,633

11. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the statement of financial position date, based on the invoice date, is as follows:

	30 June 2011 *RMB'000* **(Unaudited)**	31 December 2010 *RMB'000* (Audited)
Within 90 days	**65,873**	55,824
91 to 180 days	**1,348**	618
181 to 360 days	**—**	826
1 to 3 years	**286**	314
	67,507	57,582
Bills payable	**—**	—
	67,507	57,582

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

The bills payable will all be mature within 180 days.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first six months of 2011, there had been a trend that the sovereign debt crisis continued to diffuse and aggravate among European member states. In the US, the consumption was weak due to a high unemployment rate despite the monetary policy of a second round of quantitative easing (QE2) implemented by the country. In Japan, the earthquake in March further dampened Japan's already sluggish economies. Fueled by excessive supply of liquidity worldwide as a result of the quantitative easing monetary policies implemented by developed economies, prices of commodities such as oil and nonferrous metals kept on soaring. Developing countries, especially the emerging economies, suffered a lot from inflation driven by such excessive supply of liquidity. The overall global demand for electronic products ran short of impetus for growth after a short-lived recovery, and the demand for MLCC also shifted from being strong to being weak. As a result, competition within the MLCC industry became increasingly fierce. The management of the Company seized the market development trend and strived to enhance its overall competitive strengths through investing more in research and development and marketing initiatives and improving the cost performance of the Group's products. During the period, the Group's revenue from operations decreased by 13.5% as compared to the same period of 2010, and the profit after tax attributable to shareholders amounted to RMB9.0 million, representing a decrease of 58.1% from the same period of 2010.

During the first six months of 2011, the exchange rates among major currencies fluctuated fiercely due to the impacts of the aggravating sovereign debt crisis in some member states of Europe, the earthquake in Japan and the US debt default risk. As a result, RMB strengthened substantially against US dollars and the exchange rate for RMB against Japanese Yen fluctuated significantly. Due to the fact that approximately 50% of the Group's sales revenue was denominated in US dollars and Hong Kong dollars and most raw materials and equipment were procured in Japanese Yen, the appreciation of RMB against US dollars and the substantial fluctuation of RMB against Japanese Yen had a substantial effect on the results of the Group.

FUTURE PROSPECTS

In the second half of 2011, major developed economies such as the U.S., Europe and Japan would remain in recession, while developing countries especially the emerging economies would still face adverse situations such as economic slowdown, rising inflation and more imbalanced economic structure. There would hardly be any fundamental changes in either the market demand for MLCC or the fierce competition in the industry as compared to the first half of the year.

In the second half of 2011, it is expected that RMB will strengthen against US dollars with almost the same pace as that in the first half of the year with the exchange rates of RMB against other major currencies will also fluctuate more vigorously.

Although the Group's MLCC business will be exposed to a more complicated situation of competition, the management believes that the Company will be able to occupy a favorable position in the industrial competition by exploring its internal potential to enhance product competitiveness and optimize client structure. Meanwhile, it will also explore opportunities for expanding into industries other than MLCC, so as to diversify business risk and strive for better returns for the shareholders.

FINANCIAL REVIEW

Revenue

The revenue of the Group's business for the first six months of 2011 was RMB173.6 million, representing a decrease of 13.5% from the same period of 2010. This was primarily due to a significant drop in the average unit price of the Company's products as a result of fierce competition in the industry.

Gross Profit

Gross profit of the Group's business for the first six months of 2011 was RMB33.2 million, representing a decrease of 30.3% from the same period of 2010. This was mainly because the decrease in the average unit price of the Company's products was larger than that in their average cost of sales.

Gross Margin

The gross margin of the Group's business for the first six months of 2011 was 19.1%, representing a decrease of 4.6 percentage points from the same period of 2010, primarily as a result of fierce competition in MLCC market.

Other Income and Gain

Other income and gain of the Group for the first six months of 2011 amounted to RMB5.6 million, representing a decrease of RMB0.69 million from the same period of 2010. This was mainly due to a decrease in government grant.

Selling and Distribution Costs

The selling and distribution costs of the Group for the first six months of 2011 were RMB5.2 million, representing a decrease of 30.6% from the same period of 2010. This was mainly due to the effective controls on selling and distribution costs by the management.

Administrative and Other Expenses

The administrative expenses of the Group for the first six months of 2011 were RMB14.0 million, basically in line with those in the same period of 2010.

Research and Development Costs

The research and development costs of the Group for the first six months of 2011 were RMB4.5 million, basically in line with those in the same period of 2010.

Financial Costs

The financial costs of the Group for the first six months of 2011 were RMB4.0 million, representing an increase of RMB1.8 million over the same period of 2010. This was mainly due to: 1) an increase in the average balance of floating capital loans; 2) the tightened monetary policy in the Mainland China and an increase in bank lending rate.

Income Tax Expense

Income tax expense of the Group for the first six months of 2011 amounted to RMB2.1 million, with an effective tax rate of 18.7% for the period. This was mainly due to the accreditation of “High and New Technology Enterprise” to Shenzhen Eyang Technology Development Co., Ltd., (a wholly-owned subsidiary of the Company) in 2008, which entitled it to a 15% corporate income tax rate.

Profit Attributable to Shareholders from Continuous Operations

Profit attributable to shareholders from continuous operations for the period ended 30 June 2011 was RMB9.0 million, representing a decrease of 58.1% compared to the same period of 2010 where profit attributable to shareholders from continuous operations amounted to RMB21.6 million. This was mainly due to the decrease in both sales revenue and gross margin.

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 30 June 2011, the gearing ratio of the Group was approximately 27.6%, representing an increase of 4.2 percentage points as compared to that as at 31 December 2010 (23.4%). This was mainly due to an increase in bank loans as well as trade and bills payables.

Banking Facilities

As at 30 June 2011, the banking facilities were approximately RMB340 million, of which about RMB160 million remained undrawn. The Group believes that the capital resources available can satisfy the funding requirement for the expected capital expenditures in the near future.

Liquidity

As at 30 June 2011, total current assets and current liabilities were RMB449.0 million and RMB325.3 million respectively (as at 31 December 2010: RMB343.8 million and RMB216.6 million respectively), which resulted in net current assets of RMB123.7 million (31 December 2010: RMB127.3 million). As at 30 June 2011, cash and cash equivalent amounted to RMB65.0 million (31 December 2010: RMB48.5 million). This was mainly due to: 1) an increase in inventories as a result of decelerated growth in sales revenue; 2) an appropriate increase in cash and cash equivalent to maintain liquidity for the Company in the context of tightened monetary policy.

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 and its import procurements were mainly denominated in Japanese Yen. In the first half of 2011, there was a significant appreciation for the RMB against US dollars and Hong Kong dollars respectively and there was vigorous fluctuation for the RMB against Japanese Yen. Such vigorous fluctuation affected the operating results of the Company to a certain extent, but it was still within the Company's control and appropriate measures were employed to hedge against any potential exchange risks. The management will keep on monitoring the development of the global foreign exchange market. There were no contingent liabilities for the Group as at 30 June 2011 (2010: nil).

Capital Commitments

As of 30 June 2011, the total capital commitments of the Group amounted to RMB15.3 million, representing an increase of RMB0.4 million compared to that as at 31 December 2010. It was mainly due to an increase in undelivered purchasing equipment of Anhui Jineyang under the Group.

Staff

The total number of staff as at 30 June 2011 was 1,295 (31 December 2010: 1,433), a decrease of 147 staff members over the same period last year. There was no material change in the Group's remuneration policies which were in line with the existing market practice and the requirements from the relevant regulatory bodies.

DIVIDENDS

The board of directors resolved not to declare any interim dividend for the six months ended 30 June 2011 (the six months ended 30 June 2010: Nil).

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed shares of the Company during the six months ended 30 June 2011.

CORPORATE GOVERNANCE

During the six months period ended 30 June 2011, the Company had complied with the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited except code provision A.2.1. The Company does not have a separate Chairman and Chief Executive Officer and Mr. Chen Weirong currently holds both positions. The board of directors believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership, allows for more effective planning and execution of long-term business strategies and enhances the efficiency of decision-making process in response to the changing environment. The board of directors strongly believe that the three independent non-executive directors can provide the board with sufficient independent and differing views to ensure a balance of power.

MODEL CODE FOR DEALING SECURITIES BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by directors of the Company (the "Company Code") on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules. Following specific enquiry of all directors of the Company, all directors have confirmed that they had complied with the required standard set out in the Model Code and the Company Code of conduct regarding directors' securities transactions throughout the six months ended 30 June 2011.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (Chairman of the Audit Committee), Mr. Pan Wei and Mr. Liu Huanbin. The main duties of the Committee are to review the financial information of the Company and oversee the Company's financial reporting system and internal control procedures. The Audit Committee has reviewed the Group's unaudited condensed consolidated interim results for the six months ended 30 June 2011.

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

Hong Kong, 19 August 2011

As at the date of this announcement, the Board comprised Mr. Chen Weirong, Mr. Liao Jie and Mr. Xu Chuncheng as executive Directors, Ms. Shuang Mei, Mr. Cheng Wusheng, Mr. Zhang Zhilin and Mr. Chen Hao as non-executive Directors and Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus as independent non-executive Directors.