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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 2012

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 2012, together with the comparative figures for the corresponding period of 2011.

This interim condensed consolidated financial information has not been audited, but has been reviewed by the Company's external auditors and the Company's audit committee.

RESULTS HIGHLIGHTS

- Half year revenue rose to RMB210.0 million, representing a 21% increase over the same period last year (2011: RMB173.6 million) with RMB160.5 million attributable to MLCC business and RMB49.5 million to mobile phones trading business

- Revenue from MLCC business dropped by 7.6% and mobile phones trading segment was not commenced yet in the first half year of 2011

- Half year gross profit decreased by 36.5% to RMB21.1 million (2011: RMB33.2 million), which was mainly attributable to a drop of profit margin ratio of MLCC business from 19.1% in the first half year of 2011 to 12.1% in the first half year of 2012 and the low profit margin ratio of 3.5% for the mobile phones trading business

- Half year performance recorded a loss for the period of RMB7.5 million (2011: a profit of RMB9.0 million), mainly attributable to a loss before tax of RMB6.8 million (2011: a profit before tax of RMB11.1 million) recorded by the Group

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2012

		Six months ended 30 June	
		2012	2011
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**210,007**	173,638
Cost of sales		**(188,908)**	(140,401)
Gross profit		**21,099**	33,237
Other income and gains	*4*	**6,388**	5,623
Selling and distribution costs		**(8,178)**	(5,151)
Administrative expenses		**(13,367)**	(14,387)
Other expenses		**(4,678)**	372
Finance costs	*5*	**(4,123)**	(4,045)
Research and development costs		**(3,988)**	(4,546)
PROFIT/(LOSS) BEFORE TAX		**(6,847)**	11,103
Income tax expense	*6*	**(665)**	(2,073)
PROFIT/(LOSS) FOR THE PERIOD		**(7,512)**	9,030
OTHER COMPREHENSIVE INCOME/(LOSS)			
Exchange difference on translation of foreign operations		**(343)**	1,365
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD		**(7,855)**	10,395
PROFIT/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**(7,512)**	9,030
TOTAL COMPREHENSIVE INCOME/(LOSS) ATTRIBUTABLE TO:			
Owners of the parent		**(7,855)**	10,395
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic	*8*	**RMB(1.85) cents**	RMB2.23 cents
Diluted	*8*	**RMB(1.85) cents**	RMB2.23 cents

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2012

	Notes	30 June 2012 (Unaudited) RMB'000	31 December 2011 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**287,403**	294,183
Investment properties	10	**25,946**	26,277
Prepaid land lease payments	11	**20,585**	20,829
Deposits paid for acquisition of items of property, plant and equipment		**1,100**	5,696
Other intangible assets		**1,114**	1,197
Deferred tax assets		**3,089**	2,702
Total non-current assets		**339,237**	350,884
CURRENT ASSETS			
Inventories		**106,058**	103,062
Trade and bills receivables	12	**163,386**	156,680
Prepayments, deposits and other receivables		**29,028**	24,276
Due from related parties		**9,795**	6,739
Derivative financial instruments		**—**	161
Pledged deposits		**29,344**	125,772
Cash and cash equivalents		**34,417**	65,887
Total current assets		**372,028**	482,577
CURRENT LIABILITIES			
Trade and bills payables	13	**73,278**	69,439
Deferred income, accruals and other payables		**38,825**	36,280
Tax payable		**12,969**	12,703
Interest-bearing bank loans		**125,360**	261,590
Dividends payable		**256**	256
Due to related parties		**13,766**	—
Total current liabilities		**264,454**	380,268
NET CURRENT ASSETS		**108,574**	102,309
TOTAL ASSETS LESS CURRENT LIABILITIES		**446,811**	453,193

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
NON-CURRENT LIABILITIES		
Deferred income	**4,666**	3,193
Deferred tax liabilities	**5,605**	5,605
Total non-current liabilities	**10,271**	8,798
Net assets	**436,540**	444,395
EQUITY		
Equity attributable to owners of the parent		
Issued capital	**3,824**	3,824
Reserves	**432,716**	440,571
Total equity	**436,540**	444,395

NOTE TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2012

1. CORPORATE INFORMATION

EYANG Holdings (Group) Co., Limited (the "Company") was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised). The Company's registered office address is the office of Codon Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the head office and the principal place of business of the Company are located at EYANG Building, No. 3 Qimin Street, No. 2 Langshan Road, North Area, Hi-Tech Industrial Park, Nanshan District, Shenzhen, the PRC.

The Company is a subsidiary of EY OCEAN Management Limited ("EY OCEAN"), a company incorporated in the British Virgin Islands. EY OCEAN is considered by the directors as the Company's ultimate holding company.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2012 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting".

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2011.

2.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2011, except for the adoption of the new and revised standards and interpretations as of 1 January 2012, noted below.

IFRS 1 Amendments	Amendment to IFRS 1 *First-time Adoption of International Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopter*
IFRS 7 Amendments	Amendments to IFRS 7 *Financial Instruments*: *Disclosures —Transfers of Financial Assets*
IAS 12 Amendments	Amendments to IAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*

The adoption of these new amendments and revised standards and interpretations has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

3. OPERATING SEGMENT INFORMATION

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments.

Summary details of the business segments are as follows:

(i) the multi-layer ceramic chips ("MLCC") segment engages in the manufacture and sale of MLCC and the trading of MLCC;

(ii) the mobile phone trading segment engages in the trading of mobile phones.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No assets and capital expenditure information is presented for the Group's geographical segments, as over 90% of the Group's assets are located in Mainland China.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the period ended 30 June 2012. The MLCC segment is the only major continuing reportable operating segment of the Group in the first half year of 2011, which engages in the manufacture and sale of MLCC. Accordingly, no further operating segment information is provided for the period ended 30 June 2011.

Period ended 30 June 2012	**MLCC** *RMB'000*	**Trading of mobile phones** *RMB'000*	**Total** *RMB'000*
Segment revenue:			
Sales to external customers	160,450	49,557	210,007
Other revenue	4,628	256	4,884
	165,078	49,813	214,891
Segment results	(5,234)	1,006	(4,228)
Reconciliation:			
Interest income			1,504
Finance costs			(4,123)
Loss before tax			(6,847)
Segment assets	703,161	17,374	720,535
Reconciliation:			
Elimination of intersegment receivables			(9,270)
Total assets			711,265
Segment liabilities	271,732	12,263	283,995
Reconciliation:			
Elimination of intersegment payables			(9,270)
Total liabilities			274,725
Other segment information:			
Impairment losses of inventory recognised in the statement of comprehensive income	4,187	—	4,187
Reversal of impairment of trade receivables recognised in the statement of comprehensive income	(286)	—	(286)
Depreciation and amortisation	16,153	—	16,153
Capital expenditure	9,053	—	9,053

Geographical segments

(a) *Revenue from external customers*

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China	**106,503**	96,281
Countries other than Mainland China	**103,504**	77,357
	210,007	173,638

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of revenue, other income and gains is as follows:

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Sale of MLCC	**160,450**	173,638
Trading of mobile phones	**49,557**	—
	210,007	173,638
Other income		
Bank interest income	**1,504**	141
Rental income	**2,830**	3,326
Government grants	**—**	210
Amortisation of deferred income	**528**	403
Sale of materials	**627**	890
Others	**899**	653
	6,388	5,623
	216,395	179,261

5. FINANCE COSTS

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans	**4,123**	4,045

6. INCOME TAX EXPENSE

	Six months ended 30 June	
	2012	2011
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Current — Mainland China		
Charge for the period	**1,054**	1,718
Deferred	**(389)**	355
Total tax charge for the period	**665**	2,073

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.

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempt from the payment of the Cayman Islands income tax.

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.

Shenzhen Eyang Technology Development Co., Ltd. ("SZ Eyang") (深圳市宇陽科技發展有限公司), a subsidiary of the Company in Mainland China, obtained its high technology enterprise accreditation on 16 December 2008 and hence was subject to a national income tax rate of 15% from 2008 to 2010. On 31 October 2011, SZ Eyang was recognised as a high technology enterprise again and was subject to a national income tax rate of 15% from 2011 to 2013.

Except for SZ Eyang mentioned above that was entitled to a preferential tax rate of 15%, the subsidiaries of the Company are subject to corporate income tax ("CIT") at a statutory rate of 25% (six months ended 30 June 2011: 25%) on their respective taxable income.

7. DIVIDENDS

The board of directors resolved not to declare any interim dividend for the six months ended 30 June 2012 (six months ended 30 June 2011: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings/(loss) per share amount is based on the profit/(loss) for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 405,500,000 (six months ended 30 June 2011: 405,500,000) in issue during the period.

As the exercise price of the share options was higher than the average market price of the Company's ordinary shares during the periods ended 30 June 2011 and 2012, no shares were assumed to have been issued on the deemed exercise of the Company's outstanding share options during the period. Therefore, the diluted earnings/(loss) per share amount was equal to the basic earnings/(loss) per share amount for the periods ended 30 June 2011 and 2012.

9. PROPERTY, PLANT AND EQUIPMENT

	Note	**30 June 2012 (Unaudited)** ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Carrying amount at 1 January		**294,183**	263,854
Additions		**9,053**	61,837
Transfer from investment properties	*10*	**—**	3,511
Transfer to investment properties	*10*	**—**	(801)
Disposals		**(342)**	(6,011)
Depreciation		**(15,491)**	(28,207)
Carrying amount at 30 June/31 December		**287,403**	294,183

The Group's buildings are held under medium term leases in Mainland China.

Certificates of ownership in respect of certain buildings of the Group located in Dongguan with a net carrying amount of approximately RMB4,611,000 as at 30 June 2012 (31 December 2011: RMB4,668,000) have not yet been issued by the relevant PRC authorities.

10. INVESTMENT PROPERTIES

	Note	**30 June 2012 (Unaudited)** ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Carrying amount at 1 January		**26,277**	29,671
Transfer from property, plant and equipment	*9*	**—**	801
Transfer to owner-occupied property	*9*	**—**	(3,511)
Depreciation provided during the period/year		**(331)**	(684)
Carrying amount at 30 June/31 December		**25,946**	26,277

The Group's investment properties are held under medium term leases and are situated in Mainland China.

11. PREPAID LAND LEASE PAYMENTS

	30 June 2012 (Unaudited) ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Carrying amount at 1 January	**21,317**	21,805
Amortisation provided during the period/year	**(244)**	(488)
Carrying amount at 30 June/31 December	**21,073**	21,317
Current portion included in prepayments, deposits and other receivables	**(488)**	(488)
Non-current portion	**20,585**	20,829

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

12. TRADE AND BILLS RECEIVABLES

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Trade and bills receivables	**170,833**	164,413
Impairment	**(7,447)**	(7,733)
	163,386	156,680

The Group's trading terms with its MLCC customers are mainly on credit. The credit periods for MLCC customers generally are two to five months. Overdue balances are reviewed regularly by management. Trade receivables are non-interest-bearing.

The bills receivable were all due within 60 to 180 days from the end of the reporting period.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and the amount of bills receivable are as follows:

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
Within 90 days	**103,280**	117,730
91 to 180 days	**5,707**	11,145
181 to 360 days	**751**	693
1 to 2 years	**—**	573
Over 2 years	**7,447**	7,160
	117,185	137,301
Bills receivable	**53,648**	27,112
	170,833	164,413

The movements in the provision for impairment of trade receivables are as follows:

	30 June 2012 (Unaudited) *RMB'000*	31 December 2011 (Audited) *RMB'000*
At 1 January	**7,733**	8,534
Impairment losses recognised	**—**	410
Reversal of impairment	**(286)**	(1,211)
At 30 June/31 December	**7,447**	7,733

An aged analysis of the trade receivables that are neither individually nor collectively considered to be impaired is as follows:

	30 June 2012 (Unaudited) ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Neither past due nor impaired	**103,280**	111,033
Less than 90 days past due	**5,707**	18,351
91 to 180 days past due	**751**	184
181 to 360 days past due	**—**	—
	109,738	129,568

The trade receivables that were neither past due nor impaired relate to a number of diversified customers for whom there was no recent history of default.

The trade receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

13. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2012 (Unaudited) ***RMB'000***	31 December 2011 (Audited) *RMB'000*
Within 90 days	**65,419**	65,352
91 to 180 days	**7,045**	3,433
181 to 360 days	**159**	13
Over 360 days	**655**	641
	73,278	69,439

The trade payables are non-interest-bearing and are normally settled within 90 days.

MANAGEMENT'S DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first six months of 2012, given that the world's economies were still under depression, there was no rebound of demand for electronic products. For this reason, demand for MLCC products, which are located in the upstream electronic industry, lost momentum to grow and competition within the industry intensified. The revenue from continuing operations for the first six months of 2012 was RMB210.0 million, representing an increase of 21% from the same period of 2011. The gross profit was RMB21.1 million, representing a decrease of 36.5% from the same period of 2011. In particular, the sales revenue from MLCC was RMB160.5 million, representing a decrease of 7.6% from the same period of 2011 and a decrease of 41.8% in gross profit. As the Group has strengthened investment in mobile phones trading business since August 2011, revenue and gross profit from mobile phones trading business for the first six months of 2012 amounted to RMB49.6 million and RMB1.75 million respectively. The business was not yet commenced during the same period of 2011.

For the first six months of 2012, loss after tax attributable to shareholders of the Company amounted to RMB7.5 million, compared to profit after tax attributable to shareholders of the Company at RMB9.0 million during the same period of 2011.

PROSPECTS

In the second half of 2012, with no sign of recovery in the world economy, the demand for electronic and digital products is expected to remain weak. The overcapacity of the MLCC industry is set to give rise to keener competition. Under the weak global demand, participants of the industry will have to greatly reduce costs of all types for staying in the business. Modes of operation adopted by enterprises are expected to undergo enormous changes and outsourcing of a substantial part of certain non-core businesses might be seen. On the basis of the Group's extensive cooperation with a wide spectrum of participants of the electronic industry, our trading business is expected to experience a significant growth.

FINANCIAL REVIEW

Revenue

The revenue of the Group's business for the first six months of 2012 was RMB210.0 million, representing a 21% increase from the same period of 2011. This was mainly due to the re-opening of the trading business by the management of the Group in August 2011.

In particular, the revenue of the Group's MLCC business for the first six months of 2012 was RMB160.5 million, representing a decrease of 7.6% from the same period of 2011. This was mainly due to the intensified competition in the industry, and decrease in product unit price and gross profit margin.

Revenue from the Group's trading business for the first six months of 2012 was RMB49.6 million, and the gross profit was RMB1.75 million.

Gross Profit

Gross profit of the Group for the first six months of 2012 was RMB21.1 million, representing a decrease of 36.5% from the same period of 2011. The decrease was mainly due to the rise of production cost and the relatively large decrease in unit price of our MLCC products.

In particular, gross profit of the Group's MLCC products for the first six months of 2012 was RMB19.4 million, representing a decrease of 41.8% from the same period of 2011. The decrease was mainly due to the rise of production cost and the relatively large decrease in unit price.

Gross profit of the Group's trading business for the first six months of 2012 was RMB1.75 million. The business was not yet commenced during the same period of 2011.

Gross Profit Margin

The gross profit margin of the Group for the first six months of 2012 was 10.0%, representing a decrease of 9.1% as compared to 19.1% of the same period of 2011. This was mainly due to the significant decline in the gross profit margin of MLCC, as well as the new development of the trading business with relatively low gross profit margin.

In particular, the gross profit margin of the Group's MLCC business for the first six months of 2012 was 12.1%, representing a decrease of 7.0% as compared to 19.1% of the same period of 2011.

The gross profit margin of the revenue from the Group's trading business for the first six months of 2012 was 3.5%.

Other Income and Gain

Other income and gain of the Group for the first six months of 2012 were RMB6.4 million, representing an increase of RMB0.8 million as compared to the same period of 2011.

Selling and Distribution Costs

The operation costs of the Group for the first six months of 2012 were RMB8.2 million, representing an increase of 58.8% from the same period of 2011. This was mainly due to the increasing input by the expansion of marketing staff. The costs include the operation cost of RMB0.5 million incurred by the Group's trading business.

Administrative Expenses

The administrative expenses of the Group for the first six months of 2012 were RMB13.4 million, representing a decrease of 7.41% from the same period of 2011. This was mainly due to: 1. the expenses in relation to the office refurbishment of Dongguan Eyang Technology Development Co., Ltd, a subsidiary of the Group, incurred during the same period of 2011, were not incurred in the year; 2. expenses for the Company's 10th anniversary charged during the same period of 2011 were not charged in the year.

Research and Development Costs

The research and development costs of the Group for the first six months of 2012 were RMB4.0 million, representing a decrease of 12.3% from the same period of 2011. This was mainly due to the reduction in development cost by cancelling some R&D projects.

Other Expenses

Other expenses of the Group for the first six months of 2012 were RMB4.7 million. This was mainly due to an amount of RMB4.2 million was provided for inventory for the period.

Finance Costs

The finance costs of the Group for the first six months of 2012 were RMB4.1 million, basically the same as that of the same period of 2011.

Income Tax Expenses

Income tax expenses of the Group for the first six months of 2012 amounted to approximately RMB0.7 million, representing a significant decrease from RMB2.0 million of the same period of 2011. This was mainly due to losses in our MLCC business.

Gearing Ratio

The Group monitors its capital through gearing ratio, being net liabilities divided by capital plus net liabilities. Net liabilities are determined as the aggregate of bank loans, trade and bills payables and other payables (excluding accruals and deferred income within one year) less cash and cash equivalents. Capital refers to the equity attributable to the owners of the parent. As at 31 December 2011 and 30 June 2012, the gearing ratio of the Group was approximately 39.9% and 30.9% respectively.

Property, Plant and Equipment

The net carrying amount as at 30 June 2012 was RMB287.4 million, representing a decrease of RMB6.8 million from RMB294.2 million as at 31 December 2011. This was mainly because the amount used to acquire new manufacturing equipment was less than the amount depreciated.

Investment Properties

The Group's investment properties as at 30 June 2012 amounted to RMB25.9 million as compared to RMB26.3 million as at 31 December 2011. The decrease of RMB0.4 million from the same period of 2011 was due to normal depreciation and amortization.

Other Intangible Assets

The other intangible assets of the Group as at 30 June 2012 amounted to RMB1.1 million, representing a decrease of RMB0.1 million as compared to that as at 31 December 2011. This was mainly due to the amortization of intangible assets associated with the Group's SAP management software.

Trade and Bills Receivables

As at 30 June 2012, the net book values of trade and bills receivables were RMB163.4 million, representing an increase of RMB6.7 million as compared to RMB156.7 million as at 31 December 2011. The trade and bills receivables mainly associated with the Group's MLCC business. The higher net book values of trade and bills receivables despite lower revenue from the MLCC business were the result of the extension of credit terms by the Group for some of its major clients who have good credit standings to boost sales.

Prepayments, Deposits and Other Receivables

As at 30 June 2012, prepayments, deposits and other receivables of the Group were RMB29.0 million, representing an increase of RMB4.7 million as compared to that as at 31 December 2011. This was mainly due to an increase in external prepayment of the material.

Cash and Cash Equivalents and Pledged Bank Deposits

As at 30 June 2012, cash and cash equivalents and pledged bank deposits of the Group were RMB63.8 million, representing a decrease of RMB127.9 million as compared to RMB191.7 million as at 31 December 2011. This was mainly due to repayment of matured short-term bank loans.

Trade and Bills Payables

As at 30 June 2012, the balance of the Group's trade and bills payables were RMB73.3 million, representing an increase of RMB3.9 million as compared to that as at 31 December 2011. It was mainly due to: (i) the fact that the credit terms granted by the Group's suppliers to the Group were extended; (ii) certain suppliers changed their settlement method from cash to bank acceptance bills.

Deferred Income, Accruals and Other Payables

As at 30 June 2012, deferred income, accruals and other payables of the Group were RMB38.8 million, representing an increase of RMB2.5 million as compared to that as at 31 December 2011. This was mainly due to prepayment from clients in mobile phone trading during the period.

Interest-Bearing Bank Loans

As at 30 June 2012, the Group had outstanding interest-bearing bank loans of RMB125.4 million, representing a decrease of RMB136.2 million as compared to that as at 31 December 2011. This was mainly due to repayment of matured short-term bank loans.

Contingent Liabilities

As at 30 June 2012, the Group had no material contingent liabilities.

Commitments

As at 30 June 2012, the capital commitments of the Group were RMB14.8 million, representing a decrease of RMB10.7 million as compared to that as at 31 December 2011. This was mainly due to the payment of a large sum of payables during the current period for equipment purchased.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current asset

As at 30 June 2012, the Group had net current assets of approximately RMB107.5 million, including current assets of RMB372.0 million and current liabilities of RMB264.5 million.

Cash flows
For the six months ended 30 June 2012

	2012 ***RMB million***	2011 *RMB million*
Net cash inflow from operating activities	**16.8**	34.3
Net cash outflow from investing activities	**(4.0)**	(21.8)
Net cash inflow/(outflow) from financing activities	**(41.0)**	70.4
Cash and cash equivalents at the end of period	**42.0**	150.3

As at 30 June 2012, net inflow from operating activities decreased by RMB17.5 million over the same period of 2011, mainly due to a decrease in gross profit and longer term of receivables. Net cash outflow from investing activities decreased by RMB17.8 million compared to the same period of 2011, mainly due to a reduction in equipment purchased. The change of net cash flow from financing activities from an inflow of RMB70.4 million to an outflow of RMB41.0 million was mostly because of the repayment of short-term bank loans.

BANKING FACILITIES

As at 30 June 2012, the Group had aggregate banking facilities of approximately RMB170 million, of which approximately RMB140 million had not been utilized.

FOREIGN CURRENCY RISK

The Group's sales for the first six months of 2012 were mainly denominated in RMB, US dollars and Hong Kong dollars, while its purchases were mainly denominated in RMB, US dollars, Hong Kong dollars and Japanese Yen. The trade receivables denominated in US dollars and Hong Kong dollars were greater than the trade payables denominated in US dollars and Hong Kong dollars. Meanwhile, the Group is exposed to risks in respect of trade payables denominated in Japanese Yen, but is basically not exposed to risks in respect of trade receivables denominated in Japanese Yen. In the event of vigorous fluctuation of the exchange rate, foreign currencies risk will exist to a certain extent.

STAFF

As of 30 June 2012, the Group had a total of 1,293 staff, whose remunerations and benefits are determined based on the market, state policies and individual performance.

DIVIDENDS

The board of directors resolved not to declare any interim dividend for the six months ended 30 June 2012 (the six months ended 30 June 2011: 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 2012.

EXTRACT FROM THE REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION BY THE COMPANY'S AUDITOR

The review conclusion of the Company's auditor on the interim condensed consolidated financial statements for the Group for the six months ended 30 June 2012 has been modified and is extracted as follows:

Basis for qualified conclusion

Prior year audit scope limitation affecting opening balances

We issued a qualified opinion on the consolidated financial statements of the Group for the year ended 31 December 2011 due to the limitation on the scope of the audit in relation to the trading of mobile phones with two Africa customers ("Africa Customers"), details of which have been set out in our report dated 30 March 2012. Any adjustments found to be necessary in respect of the Group's trade receivables as at 31 December 2011 would have an effect on the opening balances and consequential effect on the results of the Group for the period ended 30 June 2012. It would not have any effect on the comparative amounts presented in the consolidated income statements for the period ended 30 June 2011 as the Group had not commenced any trading business with the Africa Customers during the prior period.

Current period limitation of scope

Due to the insufficiency of the documentation relating to the sales of mobile phones with the Africa Customers, we were unable to complete our review procedures in respect of the revenue of RMB22,939,000 included in the interim financial statements of the Group. Any adjustments found to be necessary may have an effect on the Group's results for the period ended 30 June 2012.

Qualified conclusion

Except for the possible effects of the matter as described in the basis of qualified conclusion paragraphs, based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

CORPORATE GOVERNANCE

The Company strives to maintain a high standard of corporate governance so as to safeguard the interests of the Company as well as shareholders. The Company has complied with the code provisions in the Code on Corporate Governance Practices during the period from 1 January 2012 to 31 March 2012 and the Corporate Governance Code that becomes effective on 1 April 2012 for the period from 1 April 2012 to 30 June 2012, excerpt for the following incidents.

Contrary to 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 the sufficient number of non-executive and independent non-executive directors can provide the company with a check and balance system to safeguard the values of the Company as a whole.

The inadequacy of the reporting and internal control system for Company's mobile phone trading business established in late 2011 has resulted in the qualified opinion issued by the auditors in the independent auditors' report in relation to the Company's mobile phone business for the year ended 31 December 2011. The matter was brought up in the audit committee meeting held on 30 March 2012 and a special board committee was set up subsequently to address the problems stipulated in the auditors' report. On 18 June 2012 the Company appointed SHINEWING Risk Services Limited as the internal control consultant to conduct a review on the internal control system and financial reporting policies and procedures. The internal control consultant has completed the initial stage of the review and has been discussing the findings and necessary remedial procedures with the management.

Due to an oversight, the Company failed to notify the Stock Exchange of Hong Kong of the continuing connected transactions in relation to a number of leasing contracts and a purchase contract of MLCC products and make a related announcement in accordance with Rule 14A of the Rules Governing the Listing Securities on the Stock Exchange (the "**Listing Rules**"). Proper procedures have been taken to ensure full compliance with the Listing Rules and the chief financial officer and the company secretary of the Company are designated to carry out periodic review on the existing connected transactions and assess transactions that might fall under the category of connected transactions in accordance with the Listing Rules on an ongoing basis.

For the annual general meeting held on 21 June 2012, only the chairman and two executive directors attended the meeting. The rest of the board of directors could not attend the meeting due to their busy business schedules or other engagements. The Company will endeavour to arrange the future general meeting with the presence of the non-executive directors and independent non-executive directors so as to fulfill the requirement of code provision A.6.7 of the Corporate Governance Code.

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 2012.

AUDIT COMMITTEE AND INTERIM REVIEW

The Audit Committee, comprising three independent non-executive Directors, namely — Mr. Chu Kin Wang, Peleus (Chairman of the Audit Committee), Mr. Pan Wei and Mr. Liu Huanbin, has been established 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 2012.

The Group's interim results for the six months ended 30 June 2012 have also been reviewed by the Company's auditor, Ernst & Young, in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

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

Hong Kong, 31 August 2012

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; Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus as Independent Non-executive Directors.