



Accountants &
business advisers

Greater China Precision Components Limited

Consolidated Financial Statements
For the year ended 31 December 2007



GREATER CHINA PRECISION COMPONENTS LIMITED
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

CONTENTS

	PAGES
Independent auditor's report	1
Consolidated income statement	2
Consolidated balance sheet	3
Consolidated statement of changes in equity	4
Consolidated cash flow statement	5
Notes to the consolidated financial statements	6 - 34



Accountants &
business advisers

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GREATER CHINA PRECISION COMPONENTS LIMITED

We have audited the accompanying financial statements of Greater China Precision Components Limited and its subsidiaries, which comprise the consolidated balance sheet as at 31 December 2007, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION

In our opinion, the financial statements give a true and fair view of the financial position of Greater China Precision Components Limited and its subsidiaries as at 31 December 2007, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF
Certified Public Accountants
Hong Kong
26 March 2008

Signing Partner : Wan Tak Shing

Tel 852 2806 3822 | Fax 852 2806 3712
E-mail info@pkf-hk.com | www.pkf-hk.com
PKF | 26/F, Citicorp Centre | 18 Whitfield Road | Causeway Bay | Hong Kong



GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Note</i>	2007 RMB'000	2006 RMB'000
Revenue	4	244,103	168,434
Cost of sales		<u>(160,825)</u>	<u>(119,444)</u>
Gross profit		83,278	48,990
Other income and gains		2,520	720
Selling and distribution costs		(3,870)	(3,490)
Administrative expenses		(16,365)	(9,750)
Finance costs	5	<u>(1,152)</u>	<u>(1,365)</u>
Profit before income tax	6	64,411	35,105
Income tax expense	7(a)	<u>-</u>	<u>(11,700)</u>
Profit for the year		<u>64,411</u>	<u>23,405</u>
Dividend			
Interim dividend	8	<u>22,000</u>	<u>-</u>
Earnings per share			
Basic	9	<u>3.10</u>	<u>1.17</u>

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2007

	<i>Note</i>	2007 RMB'000	2006 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	10	67,808	47,545
Land use rights	11	22,594	8,898
Deposits for acquisition of property, plant and equipment		<u>2,423</u>	<u>581</u>
		<u>92,825</u>	<u>57,024</u>
CURRENT ASSETS			
Land use rights	11	494	193
Inventories	12	21,773	22,185
Trade and notes receivables	13	86,640	48,291
Deposits, prepayments and other receivables	14	4,609	8,850
Cash and bank balances	15	<u>277,300</u>	<u>10,253</u>
		<u>390,816</u>	<u>89,772</u>
TOTAL ASSETS		<u>483,641</u>	<u>146,796</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	16	340,273	58,250
Reserves		<u>12,903</u>	<u>(29,508)</u>
TOTAL EQUITY		<u>353,176</u>	<u>28,742</u>
NON-CURRENT LIABILITIES			
Loan from a related company	18	15,000	15,000
Amount due to a related company		<u>-</u>	<u>29,175</u>
		<u>15,000</u>	<u>44,175</u>
CURRENT LIABILITIES			
Secured bank loan	19	5,000	-
Trade payables		45,738	45,188
Accrued expenses and other payables	20	12,922	5,583
Dividend payable		24,800	2,800
Amounts due to shareholders		-	456
Amount due to a director	21	4,963	-
Amounts due to related companies	21	22,042	14,301
Income tax payable		<u>-</u>	<u>5,551</u>
		<u>115,465</u>	<u>73,879</u>
TOTAL LIABILITIES		<u>130,465</u>	<u>118,054</u>
TOTAL EQUITY AND LIABILITIES		<u>483,641</u>	<u>146,796</u>

GREATER CHINA PRECISION COMPONENTS LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

	<i>Share capital RMB'000</i>	<i>Merger reserve RMB'000 (Note 17(a))</i>	<i>Statutory reserves RMB'000 (Note 17(b))</i>	<i>Retained earnings RMB'000</i>	<i>Total RMB'000</i>
At 1 January 2006	58,250	(56,863)	996	5,754	8,137
2005 final dividend	-	-	-	(2,800)	(2,800)
Profit for the year	-	-	-	23,405	23,405
Appropriation to statutory reserves	-	-	3,563	(3,563)	-
At 31 December 2006	58,250	(56,863)	4,559	22,796	28,742
Interim dividend	-	-	-	(22,000)	(22,000)
Issuance of shares for initial public offering	307,582	-	-	-	307,582
Expenses associated with initial public offering	(25,559)	-	-	-	(25,559)
Profit for the year	-	-	-	64,411	64,411
Appropriation to statutory reserves	-	-	10,015	(10,015)	-
At 31 December 2007	<u>340,273</u>	<u>(56,863)</u>	<u>14,574</u>	<u>55,192</u>	<u>353,176</u>

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

	2007 RMB'000	2006 RMB'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before income tax	64,411	35,105
Adjustments for :-		
Interest income	(782)	(51)
Interest expenses	1,152	1,365
Amortisation of land use rights	268	144
Depreciation	8,605	5,872
Provision for doubtful debts	828	1,021
Reversal of provision for obsolete inventories	(571)	(53)
Loss on disposal of plant and equipment	-	121
	<hr/>	<hr/>
Operating profit before working capital changes	73,911	43,524
Decrease in inventories	983	158
Increase in trade and notes receivables	(39,214)	(15,387)
Decrease/(increase) in deposits, prepayments and other receivables	4,278	(6,538)
Increase in trade payables	550	12,790
Increase in accrued expenses and other payables	7,339	1,687
Increase in amount due to a director	4,963	-
	<hr/>	<hr/>
Cash generated from operations	52,810	36,234
Interest received	782	51
Income tax paid	(5,551)	(8,497)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	48,041	27,788
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments to acquire property, plant and equipment	(28,287)	(12,010)
Payments to acquire land use rights	(14,265)	(9,235)
Deposits for acquisition of property, plant and equipment	(2,423)	(581)
Proceeds from disposal of property, plant and machinery	-	500
	<hr/>	<hr/>
NET CASH USED IN INVESTING ACTIVITIES	(44,975)	(21,326)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares, net of expenses	282,023	-
New bank loan	5,000	-
Interest paid	(402)	(615)
Decrease in amounts due to related companies	(22,184)	(4,449)
Decrease in amounts due to shareholders	(456)	(4,138)
	<hr/>	<hr/>
NET CASH FROM/(USED IN) FINANCING ACTIVITIES	263,981	(9,202)
	<hr style="border-top: 1px dashed black;"/>	<hr style="border-top: 1px dashed black;"/>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	267,047	(2,740)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	10,253	12,993
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	277,300	10,253
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	277,300	10,253
	<hr style="border-top: 3px double black;"/>	<hr style="border-top: 3px double black;"/>

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

1. GENERAL INFORMATION

Greater China Precision Components Limited (the "Company") was incorporated in Singapore on 26 April 2004 as a private company with limited liability under the name of Springboard Tax Consultants Pte. Ltd. On 4 August 2007, the Company's name was changed to Greater China Precision Components Pte. Ltd. On 30 October 2007, the name of the Company was changed to Greater China Precision Components Limited in connection with its conversion into a public company limited by shares. The registered office of the Company is located at 7 Temasek Boulevard 13-02 Suntec Tower One Singapore 038987. Its principal place of business is located in Huizhou, Guangdong Province, the People's Republic of China (the "PRC").

The Company is currently a public listed company and its shares are listed on the Entry Market of the Frankfurt Stock Exchange. The Company and its subsidiaries (collectively the "Group") are engaged in the manufacture and spray paint of mobile handset casings, and provision of handset assembling services.

Particular of the subsidiaries as at 31 December 2007, all of which are wholly owned, are as follows :-

<i>Name of subsidiaries</i>	<i>Place of incorporation</i>	<i>Principal activities</i>
Pacific Ocean Investments Limited ("Pacific Ocean")	Hong Kong	Investment holding
Smooth Year Group Limited ("Smooth Year")	British Virgin Islands	Investment holding
Hangzhou Zhonghan Telecommunication Equipment Technology Co., Ltd. ("Hangzhou Zhonghan")	PRC	Inactive
Huizhou Green Plastic Electronic Co., Ltd. ("Huizhou Green")	PRC	Manufacture and spray paint of mobile handset casings, and provision of handset assembling services

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 2 to the financial statements.

These financial statements are the Group's first financial statements.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

(b) Basis of presentation

Pursuant to the reorganisation to rationalise the structure of the Group in preparation for the listing of the Company's shares on the Frankfurt Stock Exchange, on 10 September 2007, the Company acquired the entire issued and paid-up capital of Pacific Ocean and Smooth Year by issuing 998 ordinary shares in its capital at the issue price of Singapore dollar ("SGD") 11,673 per share. The aggregate consideration of SGD 11,649,654 (equivalent to approximately RMB58,250,000) was based on the audited consolidated net tangible asset value of Huizhou Green of RMB58,250,000 as at 30 June 2007.

Following the aforesaid acquisition, the Company became the holding company of Pacific Ocean and Smooth Year and the ultimate holding company of Huizhou Green and Hangzhou Zhonghan.

As a result of the reorganisation, the Group is regarded as a continuing entity. Accordingly, these financial statements have been prepared on a merger basis as if the Company had been the holding company of the companies comprising the Group throughout the year ended 31 December 2007, or from their respective dates of incorporation, whichever is shorter.

(c) Basis of preparation

These financial statements have been prepared under the historical cost convention.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal as appropriate.

All material intra-group transactions and balances, and any unrealised gains arising from intra-group transactions, have been eliminated on consolidation.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Subsidiary

A subsidiary is an entity controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

(f) Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any accumulated impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the assets have been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of that asset.

Other than construction in progress, depreciation on property, plant and equipment is calculated to write off the cost of the assets to their residual values over their estimated useful lives using the straight-line basis at the following annual rates :-

<i>Type</i>	<i>Estimated useful lives</i>	<i>Depreciation rate</i>
Leasehold improvements	1 year	100%
Motor vehicles	5 years	19.4%
Furniture, fixtures and equipment	5 years	19.4%
Plant and machinery	10 years	9.7%

The assets' residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each balance sheet date.

Construction in progress represents plant and equipment under construction and pending installation, and is stated at cost less any accumulated impairment losses, and is not depreciated. Cost comprises direct costs of construction and interest charges on related borrowed funds during the period of construction, installation and testing. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognising the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the income statement in the year the item is derecognised.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Land use rights

Land use rights represent operating lease payments paid to the PRC government authorities. Land use rights are stated at cost less accumulated amortisation and any accumulated impairment losses. Land use rights are amortised on the straight-line basis over the terms of the rights.

(h) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in income statement, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation increase.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, cost comprises direct materials, direct labour, subcontracting fee and an appropriate proportion of overheads.

Net realisable value is based on estimated selling price less all further costs expected to be incurred to completion and to make the sale.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method less any impairment losses. When the effect of discounting is immaterial, the receivables are stated at cost less accumulated impairment losses. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset's carrying amount and its recoverable amount. The amount of the provision is recognised in the income statement.

(k) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

(l) Loans and borrowings

All interest-bearing loans and borrowings are initially recognised at cost, being the fair value of the consideration received net of issue costs associated with the loans and borrowings, and are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognised in income statement when liabilities are derecognised or impaired, as well as through the amortisation process.

(m) Trade and other payables

Liabilities for trade and other payables which are normally settled on credit terms are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Group.

(n) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

(o) Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership of goods have been transferred to the buyer.

Interest income is recognised on a time proportion basis.

(q) Leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

(r) Retirement benefits

Obligatory retirement benefits in the form of contributions to a defined contribution retirement schedule administered by local government agencies are charged to the income statement as incurred.

(s) Foreign currencies

The consolidated financial statements are presented in RMB. The Company's directors are of the opinion that RMB reflects the currency of the primary economic environment in which the Group operates, as sales and purchases are denominated primarily in RMB and receipts from operations are usually retained in RMB.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(s) Foreign currencies (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in RMB using exchange rates prevailing at the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and recognised in the Group's exchange reserve. Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

(t) Income tax

Income tax comprises current and deferred taxes.

Current tax represents the tax currently payable based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(t) Income tax (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in income statement, except when they relate to items credited or debited directly to equity, in which case they are also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

(u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in provision of products or services (business segment), or in provision of products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

Segment capital expenditure is the total cost incurred during the year to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment.

(v) Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(w) IFRS in issue but not yet effective

The following IFRS in issue at 31 December 2007 have not been applied in the preparation of these financial statements since they were not yet effective for the annual period beginning on 1 January 2007:

IAS 1 (Revised)	Presentation of Financial Statements
IAS 23 (Revised)	Borrowing Costs
IFRS 8	Operating Segments
IFRIC 11	IFRS 2 - Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 13	Customer Loyalty Programmes
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group is required to initially apply IFRIC 11, IFRIC 12 and IFRIC 14 in its annual consolidated financial statements beginning on 1 January 2008, and to initially apply IAS 1 (Revised), IAS 23 (Revised), IFRS 8 and IFRIC 13 in its annual consolidated financial statements beginning on 1 January 2009.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In the process of applying the Group's accounting policies, management makes various estimates and judgements (other than those involving estimates) based on past experience, expectations of the future and other information. The key sources of estimation uncertainty and the critical judgement that can significantly affect the amounts recognised in the financial information are disclosed below :-

(i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account of their estimated residual values. The determination of the useful lives and residual values involve management's estimation. The Group assesses annually the residual values and the useful lives of property, plant and equipment and if the expectation differs from the original estimate, such a difference may impact the depreciation of the year the estimate is changed and of the future periods.

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

(ii) Provision for doubtful debts

The Group performs ongoing credit evaluations of its customers and adjust credit limits based on payment history and the customer's current credit-worthiness, as determined by the review of their current credit information. The Group continuously monitors collections and payments from its customers and maintains a provision for estimated credit losses based upon its historical experience and any specific customer collection issues that it has been identified. Credit losses have historically been within the Group's expectations and the Group will continue to monitor the collections from customers and maintain an appropriate level of estimated credit losses.

Based on the above assessment, during the reporting year, the management establishes the general provisioning policy to make provision equivalent to 5% of gross amount of trade and other receivables outstanding at each balance sheet date. Additional specific provision is made against trade and other receivables to the extent which they are considered to be doubtful.

(iii) Provision for obsolete inventories

The Group reviews the aging analysis of inventories at each balance sheet date, and makes allowance for obsolete and slow-moving inventory items identified that are no longer suitable for use in the business. The management estimates the net realisable value of such inventories based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at each balance sheet date and makes allowance for obsolete items.

During the reporting year, the management establishes the general provisioning policy to make provision equivalent to 5% of gross amount of raw materials at each balance sheet date.

4. REVENUE

Revenue represents the invoiced value of goods sold, net of value added tax and other sales taxes, after allowances for goods returns and trade discounts. An analysis of the Group's revenue is as follows :-

	<i>2007</i> <i>RMB'000</i>	<i>2006</i> <i>RMB'000</i>
Manufacture of mobile handset casings	165,233	99,698
Spray paint of mobile handset casings	78,870	68,736
	<u>244,103</u>	<u>168,434</u>

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

5. FINANCE COSTS

	<i>2007</i>	<i>2006</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Interest on loan from a related company	750	750
Discounted notes interest	279	615
Bank loan interest	109	-
Other interest expenses	14	-
	<u>1,152</u>	<u>1,365</u>

6. PROFIT BEFORE INCOME TAX

	<i>2007</i>	<i>2006</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax is arrived at after charging/(crediting) :-		
Employee benefits expense		
- Salaries, wages and other benefits	22,413	15,129
- Pension scheme costs	223	99
	<u>22,636</u>	15,228
Amortisation of land use rights	268	144
Depreciation	8,605	5,872
Exchange loss	2,899	24
Loss on disposal of plant and equipment	-	121
Provision for doubtful debts	828	1,021
Minimum lease payments under operating leases for factory premises and quarters	2,010	1,447
Reversal of provision for obsolete inventories	(571)	(53)
Interest income	<u>(782)</u>	<u>(51)</u>

7. INCOME TAX

- (a) The Company is subject to Singapore income tax at tax rate of 18%. It has no chargeable income for income tax purposes for the year.

Smooth Year was incorporated in the British Virgin Islands and is not subject to income tax under the current law.

Pacific Ocean is subject to Hong Kong profits tax at tax rate of 17.5%. It has no assessable profits for income tax purposes for the year.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

5. INCOME TAX (CONT'D)

Huizhou Green and Hangzhou Zhonghan are subject to PRC enterprise income tax ("EIT") at tax rate of 33%, of which 30% is national tax and 3% is local tax.

During the year, each of Huizhou Green and Hangzhou Zhonghan re-registered as a wholly-foreign owned enterprise and their effective EIT rate changed to 27%, of which 24% is national tax and 3% is local tax. As approved by the PRC tax authority, each of them is entitled to two years' tax exemption, from the first profit making calendar year of operations after offset of accumulated taxable losses, followed by 50% tax reduction in national tax and full exemption of local tax for the immediate next three calendar years. Huizhou Green's tax holiday commenced in year 2007. Hangzhou Zhonghan's tax holiday has not yet commenced.

On 16 March 2007, the National People's Congress approved the new EIT law, which is effective from 1 January 2008. Under the new EIT Law, the corporate income tax rate applicable to Huizhou Green and Hangzhou Zhonghan will increase to 25%. Under the transitional arrangement of the new EIT law, the tax holiday of Hangzhou Zhonghan will commence on 1 January 2008 regardless of whether it is the first profit making calendar year of operations. For Huizhou Green, the tax rate of 25% will be applicable upon completion of tax holiday (i.e. starting from 2012).

Income tax expense for both reporting years represents provision of EIT.

The Group's income tax expense differs from the theoretical amount that would arise using the tax rate applicable to the Group's profit before income tax as follows :-

	2007 RMB'000	2006 RMB'000
Profit before income tax	<u>64,411</u>	<u>35,105</u>
Income tax based on the PRC tax rate of 27% (2006 : 33%)	17,391	11,585
Effect of non-deductible expenses	589	123
Effect of non-taxable income	(187)	(8)
Effect of tax holiday	<u>(17,793)</u>	<u>-</u>
Income tax expense	<u>-</u>	<u>11,700</u>

- (b) At the balance sheet date, the Group had no material unrecognised temporary differences.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

8. DIVIDEND

An interim dividend of RMB22,000,000 was declared on 31 August 2007 before the listing of the Company's shares on the Frankfurt Stock Exchange. The dividend would be settled in year 2008.

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of RMB64,411,000 and the weighted average number of ordinary shares in issue during the year of 20,780,822.

The comparative basic earnings per share is calculated by dividing the profit for the year of RMB23,405,000 by 20,000,000 shares which were deemed to have been in issue since 1 January 2006. The shares represent the issued and paid-up shares of the Company before the listing of its shares on the Frankfurt Stock Exchange.

Diluted earnings per share amount has not been disclosed for the year ended 31 December 2007 as there were no dilutive options and other potential dilutive ordinary shares in issue during the current year (2006 : Nil).

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

10. PROPERTY, PLANT AND EQUIPMENT

	<i>Construction in progress</i> RMB'000	<i>Leasehold improvements</i> RMB'000	<i>Motor vehicles</i> RMB'000	<i>Furniture, fixtures and equipment</i> RMB'000	<i>Plant and machinery</i> RMB'000	<i>Total</i> RMB'000
Cost :-						
At 1 January 2006	-	-	2,396	1,843	11,955	16,194
Additions	-	-	480	1,942	39,380	41,802
Disposal	-	-	-	-	(866)	(866)
At 31 December 2006	-	-	2,876	3,785	50,469	57,130
Accumulated depreciation :-						
At 1 January 2006	-	-	932	562	2,464	3,958
Charge for the year	-	-	513	575	4,784	5,872
Disposal	-	-	-	-	(245)	(245)
At 31 December 2006	-	-	1,445	1,137	7,003	9,585
Net book value :-						
At 31 December 2006	<u>-</u>	<u>-</u>	<u>1,431</u>	<u>2,648</u>	<u>43,466</u>	<u>47,545</u>
Cost :-						
At 1 January 2007	-	-	2,876	3,785	50,469	57,130
Additions	2,954	1,078	130	2,051	22,655	28,868
At 31 December 2007	2,954	1,078	3,006	5,836	73,124	85,998
Accumulated depreciation :-						
At 1 January 2007	-	-	1,445	1,137	7,003	9,585
Charge for the year	-	225	563	820	6,997	8,605
At 31 December 2007	-	225	2,008	1,957	14,000	18,190
Net book value :-						
At 31 December 2007	<u>2,954</u>	<u>853</u>	<u>998</u>	<u>3,879</u>	<u>59,124</u>	<u>67,808</u>

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

11. LAND USE RIGHTS

The Group's interests in land use rights represent prepaid operating lease payments and their net book values are analysed as follows :-

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Cost	23,501	9,235
Accumulated amortisation	<u>(413)</u>	<u>(144)</u>
Net book value at 31 December	<u>23,088</u>	<u>9,091</u>
Representing :-		
Net book value at 1 January	9,091	-
Additions	14,265	9,235
Amortisation	<u>(268)</u>	<u>(144)</u>
Net book value at 31 December	23,088	9,091
Current portion	<u>(494)</u>	<u>(193)</u>
Non-current portion	<u>22,594</u>	<u>8,898</u>

At the balance sheet date, the Group's interest in the land use right of a plot of land with net book value of approximately RMB14,190,000 (2006 : Nil) was pledged to a bank to secure the bank loan granted to the Group (Note 19).

12. INVENTORIES

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Raw materials	8,182	19,591
Work in process	-	6
Finished goods	<u>14,000</u>	<u>3,568</u>
	22,182	23,165
Provision for obsolete inventories	<u>(409)</u>	<u>(980)</u>
	<u>21,773</u>	<u>22,185</u>

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

13. TRADE AND NOTES RECEIVABLES

	2007 RMB'000	2006 RMB'000
Trade receivables	64,851	47,563
Provision for doubtful debts	<u>(3,243)</u>	<u>(2,378)</u>
	61,608	45,185
Notes receivables	<u>25,032</u>	<u>3,106</u>
	<u>86,640</u>	<u>48,291</u>

An aged analysis of the trade receivables before provision for doubtful debts is as follows :-

	2007 RMB'000	2006 RMB'000
Within 90 days	59,991	46,482
Between 91 days to 365 days	3,978	939
Over 365 days	<u>882</u>	<u>142</u>
	<u>64,851</u>	<u>47,563</u>

An aged analysis of the trade receivables past due but not impaired is as follow :-

	2007 RMB'000	2006 RMB'000
Past due for less than 1 year	<u>1,617</u>	<u>-</u>

Except for trade receivables whose recovery were considered remote and impairment of which were written off directly from the carrying amount, a provision for doubtful debts of past due trade receivables was maintained. Movements of the provision during the year were as follows :-

	2007 RMB'000	2006 RMB'000
At 1 January	2,378	1,514
Provision for the year	<u>865</u>	<u>864</u>
At 31 December	<u>3,243</u>	<u>2,378</u>

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

14. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	<i>2007</i> <i>RMB'000</i>	<i>2006</i> <i>RMB'000</i>
Other receivables	3,121	7,514
Provision for doubtful debts	<u>(189)</u>	<u>(226)</u>
	2,932	7,288
Deposits and prepayments	<u>1,677</u>	<u>1,562</u>
	<u>4,609</u>	<u>8,850</u>

An aged analysis of the other receivables before provision for doubtful debts is as follows :-

	<i>2007</i> <i>RMB'000</i>	<i>2006</i> <i>RMB'000</i>
Within 90 days	887	5,306
Between 91 days to 365 days	466	939
Over 365 days	<u>1,768</u>	<u>1,269</u>
	<u>3,121</u>	<u>7,514</u>

Except for other receivables whose recovery were considered remote and impairment of which were written off directly from the carrying amount, a provision for doubtful debts of other receivables was maintained. Movements of the provision during the year were as follows :-

	<i>2007</i> <i>RMB'000</i>	<i>2006</i> <i>RMB'000</i>
At 1 January	226	69
(Reversal)/provision for the year	<u>(37)</u>	<u>157</u>
At 31 December	<u>189</u>	<u>226</u>

15. CASH AND BANK BALANCES

At 31 December, 2007, 21% (2006 : 88%) of the cash and bank balances is denominated in RMB and the remaining 79% is mainly denominated in Euro dollars. The remaining 12% of the cash and bank balances at 31 December 2006 was mainly denominated in United States dollars. Conversion of the balances in RMB into foreign currencies is subject to the rules and regulations on foreign exchange controls promulgated by the PRC government.

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

16. SHARE CAPITAL

	<i>Number of shares</i>	<i>RMB'000</i>
Ordinary shares with no par value		
Issued and fully paid:		
At 1 January 2007 (Note 16(b))	2	-
Acquisition of Pacific Ocean and Smooth Year (Note 2(b))	998	58,250
Sub-division of shares by share split (Note 16(c))	19,999,000	-
Issue of shares for initial public offering (Note 16(d))	<u>7,500,000</u>	<u>282,023</u>
At 31 December 2007	<u>27,500,000</u>	<u>340,273</u>

Notes :-

- (a) The Company has no authorised share capital.
- (b) 2 shares were allotted and issued at SGD1 each at incorporation of the Company.
- (c) Pursuant to an ordinary resolution passed at an extraordinary general meeting on 27 October 2007, the Company subdivided every one existing shares into 20,000 ordinary shares.
- (d) In connection with the Company's initial public offering, 7,500,000 ordinary shares were issued for a total cash consideration, after expense, of approximately RMB282,023,000.

17. RESERVES

- (a) Merger reserve

Merger reserve arises from the acquisition of Pacific Ocean and Smooth Year by the Company (Note 2(b)).

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

17. RESERVES (CONT'D)

(b) Statutory reserves

	<i>Statutory surplus reserve fund RMB'000</i>	<i>Statutory public welfare fund RMB'000</i>	<i>General reserve fund RMB'000</i>	<i>Employees' bonus and welfare fund RMB'000</i>	<i>Total RMB'000</i>
At 1 January 2006	664	332	-	-	996
Appropriation from retained earnings	<u>2,375</u>	<u>1,188</u>	<u>-</u>	<u>-</u>	<u>3,563</u>
At 31 December 2006	3,039	1,520	-	-	4,559
Reclassification (Note 17(b)(ii))	(3,039)	(1,520)	3,039	1,520	-
Appropriation from retained earnings	<u>-</u>	<u>-</u>	<u>6,677</u>	<u>3,338</u>	<u>10,015</u>
At 31 December 2007	<u>-</u>	<u>-</u>	<u>9,716</u>	<u>4,858</u>	<u>14,574</u>

Notes :-

(i) The statutory reserves are appropriated from the retained earnings of Huizhou Green.

(ii) Statutory surplus reserve fund and statutory public welfare fund

Before 1 January 2007, in accordance with the relevant laws and regulations of the PRC and Huizhou Green's articles of association, Huizhou Green was required to appropriate 10% and 5% of its net profit reported in the PRC statutory accounts, after offsetting any prior years' losses, to the statutory surplus reserve fund and statutory public welfare fund respectively.

Following the re-registration of Huizhou Green as a sino-foreign equity joint venture enterprise in December 2006 and subsequently as a wholly-foreign owned enterprise in December 2007, the balances in the statutory surplus reserve fund and statutory public welfare fund were reclassified to the general reserve fund and employees' bonus and welfare fund respectively.

(iii) General reserve fund

In accordance with the relevant laws and regulations of the PRC, Huizhou Green, being a wholly-foreign owned enterprise, is required to appropriate 10% of its net profit reported in the PRC statutory accounts, after offsetting any prior years' losses, to the general reserve fund. When the balance of the general reserve fund reaches 50% of Huizhou Green's registered capital, any further appropriation is optional.

The general reserve fund is non-distributable and can only be used to offset accumulated losses, for future expansion or to increase registered capital.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

17. STATUTORY RESERVES (CONT'D)

(iv) Employees' bonus and welfare fund

In accordance with the relevant laws and regulations of the PRC, a wholly-foreign owned enterprise can, at the directors' discretion, appropriate its net profit reported in the PRC statutory accounts, after offsetting any prior years' losses, to the employees' bonus and welfare fund. The employees' bonus and welfare fund is not distributable and can only be used on items for the collective benefits of the employees.

The Group appropriated 5% of the net profit of Huizhou Green to this fund.

18. LOAN FROM A RELATED COMPANY

The loan is interest-bearing at 5% per annum, unsecured and repayable on 4 June 2009.

The related company is controlled by directors Messrs. Wu Baofa and Wu Baoyu.

19. SECURED BANK LOAN

	<i>2007</i> <i>RMB'000</i>	<i>2006</i> <i>RMB'000</i>
Repayable within one year	<u>5,000</u>	<u>-</u>

The bank loan is denominated in RMB and secured by the Group's interest in the land use right of a plot of land (Note 11). It carries a fixed interest rate of 8.748% per annum.

20. ACCRUED EXPENSES AND OTHER PAYABLES

	<i>2007</i> <i>RMB'000</i>	<i>2006</i> <i>RMB'000</i>
Salaries and welfare payable	2,411	2,423
Accruals	4,109	1,758
Other payables	3,316	1,318
Value-added tax payable	3,040	5
Other taxes payable	<u>46</u>	<u>79</u>
	<u>12,922</u>	<u>5,583</u>

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

21. AMOUNTS DUE TO A DIRECTOR AND RELATED COMPANIES

The amounts are interest-free, unsecured and repayable on demand.

The related company is controlled by directors Messrs. Wu Baofa and Wu Baoyu.

22. RETIREMENT BENEFIT COSTS

The Group participates in the statutory defined contribution pension plan for its employees in the PRC. Contributions are made based on a certain percentage of the employees' relevant compensation and are charged to the income statement in the year in which they become payable. The assets of the plans are held separately from those of the Group in an independently administered fund.

Pension costs charged to the income statement represent contributions paid and payable by the Group to the plans and amounted to approximately RMB223,000 (2006 : RMB99,000) for the year.

23. PERFORMANCE SHARE SCHEME

The Group has a Performance Share Scheme ("PSS") to provide an opportunity for directors (including non-executive directors) and employees of the Group who have met performance targets to be remunerated not just through cash bonuses but also by an equity stake in the Company.

The total number of new shares which may be issued pursuant to awards granted under the PSS shall not exceed 3% of the issued share capital of the Company on the day preceding the relevant date of award.

The PSS shall continue in force for a maximum period of 10 years commencing on the date the PSS is adopted by the Company in general meeting, provided always that the PSS may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

Notwithstanding the expiry or termination of the PSS, any awards made to participants prior to such expiry or termination will continue to remain valid.

No awards were granted, forfeited, cancelled or exercised during the year as no awards will be granted under the PSS for a period of six months after the admission of the Company to the Frankfurt Stock Exchange.

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

24. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS

(a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt to equity balance.

The Group's capital management strategy is to maintain a reasonable proportion in total debts and equity capital. The Group monitors equity capital on the basis of the net debt to equity ratio. Net debt is calculated as total debt (including loans, other non-current liabilities, trade payables, accrued expenses and other payables, dividend payable and amounts due to related parties, as shown in the consolidated balance sheet) less cash and cash equivalents. Equity comprises share capital and reserves.

Debt to equity ratios at 31 December 2007 and 2006 were as follows :-

	2007 RMB'000	2006 RMB'000
Total debt	(130,465)	(112,503)
Less: cash and cash equivalent	<u>277,300</u>	<u>10,253</u>
Net cash/(debt)	<u>146,835</u>	<u>(102,250)</u>
Total equity	<u>353,176</u>	<u>28,742</u>
Debt to equity capital ratio	<u>N/A</u>	<u>356%</u>

The improvement in the debt to equity ratio results primarily from proceeds on the initial public offering.

(b) Credit risk

Credit risk is the risk that a party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation.

The Group has no significant concentrations of credit risk with exposure over a large number of customer. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history and the Group performs credit evaluations of its customers.

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

24. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (CONT'D)

(b) Credit risk (cont'd)

Carrying amounts of financial assets as at 31 December 2007 which represented the amounts of maximum exposure to credit risks are as follows :-

	2007 RMB'000	2006 RMB'000
Trade and note receivables	86,640	48,291
Other receivables	2,932	7,288
Cash and bank balances	277,300	10,253
	366,872	65,832

The directors are satisfied with the credit quality of the above financial assets.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risks by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the ability of Group to meet its financial obligations, measured by the debt to equity ratio as disclosed in note 24(a) to the financial statements.

Maturities of the financial liabilities of the Group are as follows :-

	2007 RMB'000	2006 RMB'000
Total amounts of contractual undiscounted obligations :-		
Secured bank loan	5,000	-
Trade payables	45,738	45,188
Accrued expenses and other payables	12,922	5,583
Dividend payable	24,800	2,800
Amounts due to shareholders	-	456
Amount due to a director	4,963	-
Amounts and loans due to related companies	37,042	58,476
	130,465	112,503
Due for payment :-		
Within one year	115,465	68,328
More than one year but less than five year	15,000	44,175
	130,465	112,503

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

24. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (CONT'D)

(d) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group manages currency risks, when it is considered significant, by entering into appropriate currency forward contracts.

Carrying amounts of financial assets and financial liabilities as at 31 December 2007 that exposed to currency risks are as follows :-

	2007	2006
	RMB'000	RMB'000
Financial assets denominated in foreign currencies :-		
Trade and notes receivables	-	11,127
Deposits, prepayments and other receivables	216	-
Cash and bank balances	<u>218,529</u>	<u>1,181</u>
	<u>218,745</u>	<u>12,308</u>
Financial liabilities denominated in foreign currencies :-		
Accrued expenses and other payables	51	3
Amount due to shareholders	-	456
Amount due to a director	<u>2,696</u>	<u>-</u>
	<u>2,747</u>	<u>459</u>
Net financial assets exposed to currency risks	<u>215,998</u>	<u>11,849</u>
The financial assets were denominated in the following foreign currencies :-		
Euro dollars	218,040	-
United States dollars	683	12,298
Hong Kong dollars	<u>22</u>	<u>10</u>
	<u>218,745</u>	<u>12,308</u>
The financial liabilities were denominated in the following foreign currencies :-		
Euro dollars	927	-
United States dollars	416	416
SGD	667	-
Hong Kong dollars	<u>737</u>	<u>43</u>
	<u>2,747</u>	<u>459</u>

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

24. NATURE AND EXTENT OF FINANCIAL INSTRUMENT RISKS (CONT'D)

(d) Currency risk (Cont'd)

Should Renminbi at 31 December 2007 devalue by 5% against Euro dollars, the carrying amount of the net financial assets exposed to currency risk at 31 December 2007 determined in accordance with IFRS 21 "The Effects of Changes in Foreign Exchange Rates" would be decreased, and hence the equity at 31 December 2007 would be decreased by approximately RMB10,902,000 (2006 : Nil) and the profit for the year ended 31 December, 2007 would be decreased by RMB10,902,000 (2006 : Nil).

The effect of currency risk arising from other foreign currencies is immaterial.

(e) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's income and operating cash flows are substantially independent of changes in market interest rates and the Group has no significant interest-bearing assets. In addition, the Group's borrowings are subject to fixed interest rates. Accordingly, the Group has not used any interest rate swaps to hedge its exposure to interest rate risk.

(f) Market price risk

Market price risk is the risk that the fair value or future cash flows of a financial instrument traded in the market will fluctuate because of changes in market prices.

The Group did not have any financial instruments exposed to market price risk at the balance sheet date.

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

25. RELATED PARTY TRANSACTIONS

- (a) Apart from the transactions disclosed elsewhere in the financial statements, during the year, the Group had the following material transactions with a related company in which directors Messrs. Wu Baofa and Wu Baoyu have control. These transactions were conducted in the normal course of the Group's business.

	<i>Note</i>	2007 RMB'000	2006 RMB'000
Purchase of plant and machinery	(i)	17,533	29,175
Subcontracting fee paid	(ii)	-	456
Sale of raw materials	(ii)	-	483
Sales of handset casing	(ii)	4,042	-
Loan interest paid	(iii)	750	750

Notes :-

- (i) The terms of the transaction were pre-determined between the two parties.
- (ii) The prices of the transactions were determined with reference to market prices.
- (ii) The interest is charged at 5% per annum on the outstanding principal balance (Note 18).

- (b) Key management compensation

	2007 RMB'000	2006 RMB'000
Salaries, wages and other benefits	145	46

26. COMMITMENTS

- (b) Capital commitments

	2007 RMB'000	2006 RMB'000
In respect of acquisition of property, plant and equipment		
Contracted but not provided for	4,574	1,482

GREATER CHINA PRECISION COMPONENTS LIMITED
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 DECEMBER 2007

26. COMMITMENTS (CONT'D)

(b) Operating lease commitments

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating lease which fall due as follows :-

	2007	2006
	RMB'000	RMB'000
Within one year	799	1,085
Two to five years	2,416	2,416
Over five years	-	453
	3,215	3,954

The leases are negotiated for an average terms of three years with fixed monthly rentals and for the Group's manufacturing facilities and staff quarters.

27. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services 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 :-

- (a) Manufacture of mobile handset casings segment comprises molding and fabrication of handset casings, followed by the surface spray painting and assembling of the parts;
- (b) Spray paint of mobile handset casings segment comprises surface painting of mobile handset casings; and
- (c) Corporate segment comprises corporate income and expenses items.

In determining the Group's geographic segments, revenue is attributable to the segments based on the location of customers, and assets are attributable to the segments based on the location of the assets.

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

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

27. SEGMENT REPORTING (CONT'D)

(a) Business segments

The following tables present revenue, loss and certain assets, liabilities and expenditure information for the Group's business segments.

	Manufacture of mobile handset casings		Spray paint of mobile handset casings		Corporate		Elimination		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue :										
External customers	165,233	99,698	78,870	68,736	-	-	-	-	244,103	168,434
Other revenue	1,116	411	533	284	871	25	-	-	2,520	720
	<u>166,349</u>	<u>100,109</u>	<u>79,403</u>	<u>69,020</u>	<u>871</u>	<u>25</u>	-	-	<u>246,623</u>	<u>169,154</u>
Segment results	45,274	21,598	21,611	14,891	(2,104)	(72)	-	-	64,781	36,417
Interest income									782	53
Finance costs									(1,152)	(1,365)
Profit before income tax									64,411	35,105
Income tax expense									-	(11,700)
Profit for the year									<u>64,411</u>	<u>23,405</u>
Depreciation and amortisation	6,006	3,561	2,867	2,455	-	-	-	-	8,873	6,016
Segment assets	276,812	84,815	132,130	58,475	74,699	3,506	-	-	483,641	146,796
Segment liabilities	53,573	54,168	25,572	37,345	6,520	3,190	-	-	85,665	94,703
Unallocated liabilities									44,800	23,351
Capital expenditure incurred during the year	30,444	30,188	14,531	20,813	-	-	-	-	130,465	118,054
									<u>44,975</u>	<u>51,001</u>

GREATER CHINA PRECISION COMPONENTS LIMITED
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

27. SEGMENT REPORTING (CONT'D)

(b) Geographical segments

The Group's business participates in four principal geographical areas : PRC, Mexico, Singapore and others. The geographical segment information for the reporting year is as follows :-

	PRC		Mexico		Singapore		Others		Total	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
External sales	233,059	149,008	9,444	19,426	-	-	1,600	-	244,103	168,434
Segment assets	408,993	135,218	216	11,127	68,615	451	5,817	-	483,641	146,796
Capital expenditure incurred during the year	44,975	51,001	-	-	-	-	-	-	44,975	51,001