Greater China Precision Components Limited

Consolidated Financial Statements
For the year ended 31 December 2008

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2008

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PKF

Accountants & business advisers

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

We have audited the financial statements of Greater China Precision Components Limited and its subsidiaries (the "Group"), which comprise the consolidated balance sheet as at 31 December 2008, 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 the Group as at 31 December 2008, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

PKF
Certified Public Accountants
Hong Kong
3 April 2009

Signing Partner : Wan Tak Shing

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GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	***2008*** ***RMB'000***	*2007* *RMB'000*
Revenue	5	**202,247**	244,103
Cost of sales		**(141,377)**	(160,825)
Gross profit		**60,870**	83,278
Other income	6	**10,612**	2,520
Selling and distribution costs		**(3,557)**	(3,870)
Administrative expenses		**(25,061)**	(16,365)
Finance costs	7	**(842)**	(1,152)
Profit before income tax	8	**42,022**	64,411
Income tax expense	9(a)	**-**	-
Profit for the year		**42,022**	64,411
Dividend			
Interim dividend	10	**-**	22,000
Earnings per share			
Basic	11	**1.54**	3.10

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2008

	Note	***2008*** ***RMB'000***	*2007* *RMB'000*
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	**133,944**	67,808
Land use rights	13	**20,820**	22,594
Deposits for acquisition of property, plant and equipment		**13,560**	2,423
		168,324	92,825
CURRENT ASSETS			
Land use rights	13	**465**	494
Investment in a structured deposit	14	**80,000**	-
Inventories	15	**31,556**	21,773
Trade and notes receivables	16	**120,074**	86,640
Deposits, prepayments and other receivables	17	**4,588**	4,609
Restricted cash	18	**36,561**	-
Cash and bank balances	19	**56,351**	277,300
		329,595	390,816
TOTAL ASSETS		**497,919**	483,641
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	20	**340,273**	340,273
Reserves		**47,851**	12,903
TOTAL EQUITY		**388,124**	353,176
NON-CURRENT LIABILITY			
Loan from a related company	22	**-**	15,000
CURRENT LIABILITIES			
Secured bank loan		**-**	5,000
Loan from a related company	22	**15,000**	-
Trade and notes payables	23	**64,347**	45,738
Accrued expenses and other payables	24	**9,627**	12,922
Dividend payable		**5,500**	24,800
Amounts due to directors	25	**616**	4,963
Amount due to a related company	25	**14,705**	22,042
		109,795	115,465
TOTAL LIABILITIES		**109,795**	130,465
TOTAL EQUITY AND LIABILITIES		**497,919**	483,641

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2008

	Share capital RMB'000	*Merger reserve RMB'000 (Note 21(a))*	*Statutory reserves RMB'000 (Note 21(b))*	*Exchange reserve RMB'000*	*Retained earnings RMB'000*	*Total RMB'000*
As at 1 January 2007	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)	-
As at 31 December 2007	340,273	(56,863)	14,574	-	55,192	353,176
Repurchase of shares (Note 20(ii))	-	-	-	-	(3,714)	(3,714)
Currency translation differences	-	-	-	(3,360)	-	(3,360)
Profit for the year	-	-	-	-	42,022	42,022
Appropriation to statutory reserves	-	-	7,008	-	(7,008)	-
As at 31 December 2008	**340,273**	**(56,863)**	**21,582**	**(3,360)**	**86,492**	**388,124**

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

	2008	*2007*
	RMB'000	*RMB'000*
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before income tax	**42,022**	64,411
Adjustments for :-		
Interest income	**(2,671)**	(782)
Interest income from investment in a structured deposit	**(3,083)**	-
Interest expenses	**842**	1,152
Amortisation of land use rights	**482**	268
Depreciation	**10,829**	8,605
Provision for doubtful debts	**72**	828
Reversal of provision for obsolete inventories	**(5)**	(571)
Gain on disposal of land use rights	**(2,512)**	-
Operating profit before working capital changes	**45,976**	73,911
(Increase)/decrease in inventories	**(9,778)**	983
Increase in trade and notes receivables	**(33,664)**	(39,214)
Decrease in deposits, prepayments and other receivables	**54**	4,278
Increase in restricted cash	**(36,561)**	-
Increase in trade and notes payables	**3,350**	550
(Decrease)/increase in accrued expenses and other payables	**(3,197)**	7,339
(Decrease)/increase in amounts due to directors	**(3,731)**	4,963
Cash (used in)/generated from operations	**(37,551)**	52,810
Interest received	**2,671**	782
Income tax paid	**-**	(5,551)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**(34,880)**	48,041
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of land use rights	**3,833**	-
Interest received from investment in a structured deposit	**3,083**	-
Payments to acquire property, plant and equipment	**(59,289)**	(28,287)
Payments to acquire investment in a structured deposit	**(80,000)**	-
Deposits for acquisition of property, plant and equipment	**(13,560)**	(2,423)
Payments to acquire land use rights	**-**	(14,265)
NET CASH USED IN INVESTING ACTIVITIES	**(145,933)**	(44,975)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repurchase of shares	**(3,714)**	-
(Repayment of)/new bank loans	**(5,000)**	5,000
Dividend paid	**(19,300)**	-
Interest paid	**(92)**	(402)
Decrease in amount due to a related company	**(8,074)**	(22,184)
Proceeds from issuance of shares, net of expenses	**-**	282,023
Decrease in amounts due to shareholders	**-**	(456)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES	**(36,180)**	263,981
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(216,993)**	267,047
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(3,956)**	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**277,300**	10,253
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**56,351**	277,300
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**56,351**	277,300

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 8 Cross Street 11-00 PWC Building Singapore 048424. 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.

Particulars of the Company's subsidiaries as at 31 December 2008, all of which are wholly-owned, are as follows :-

Name of subsidiaries	***Place of incorporation***	***Principal activities***
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")	The PRC	Under de-registration (Note)
Huizhou Green Plastic Electronic Co., Ltd. ("Huizhou Green")	The PRC	Manufacture and spray paint of mobile handset casings, and provision of handset assembling services

Note :- Hangzhou Zhonghan had applied for de-registration, which was approved by the Hangzhou Foreign Trade and Economic Cooperation Bureau on 5 November 2008. The de-registration is expected to be completed in 2009.

The consolidated financial statements are presented in Renminbi ("RMB"), the currency of the primary economic environment in which the Group operates.

These consolidated financial statements have been approved for issue by the Board of Directors on 3 April 2009.

2. BASIS OF PREPARATION

The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

(a) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "IFRS") and International Accounting Standards (the "IAS") as issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Interpretations Committee (the "IFRIC").

(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 SGD11,649,654 (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) Initial application of International Financial Reporting Standards

In the current year, the Group initially applied the following new and amended IFRS and IFRIC :-

Amendments to IAS 39 and IFRS 7	Reclassification of Financial Assets
IFRIC 11	IFRS 2 - Group and Treasury Share Transactions
IFRIC 12	Service Concession Arrangements
IFRIC 14	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

2. BASIS OF PREPARATION (CONT'D)

(c) Initial application of International Financial Reporting Standards (cont'd)

The initial application of these IFRS and IFRIC does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented.

(d) International Financial Reporting Standards in issue but not yet effective

The following IFRS in issue as at 31 December 2008 have not been applied in the preparation of the Group's financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2008 :-

IAS 1 (Revised)	Presentation of Financial Statements [3]
IAS 23 (Revised)	Borrowing Costs [3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements [4]
IFRS 3 (Revised)	Business Combinations [4]
IFRS 8	Operating Segments [3]
Amendments to IAS 32 and IAS 1	Puttable Financial Instruments and Obligations Arising on Liquidation [3]
Amendments to IFRS 1 and IAS 27	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate [3]
Amendments to IFRS 2	Share-based Payment - Vesting Conditions and Cancellations [3]
IFRIC 13	Customer Loyalty Programmes [1]
IFRIC 15	Agreements for the Construction of Real Estate [3]
IFRIC 16	Hedges of a Net Investment in a Foreign Operation [2]
IFRIC 17	Distributions of Non-cash Assets to Owners [4]

[1] Effective for annual financial statements beginning on 1 July 2008
[2] Effective for annual financial statements beginning on 1 October 2008
[3] Effective for annual financial statements beginning on 1 January 2009
[4] Effective for annual financial statements beginning on 1 July 2009

(e) 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.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) 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 :-

Type	***Estimated useful lives***	***Depreciation rate***
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.

(b) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) 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 47 to 48 years.

(d) 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.

(e) Investment in a structured deposit

Investment in a structured deposit is initially recognised at fair value and subsequently measured at amortised cost less any allowance for impairment. Amortised cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) 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.

(g) 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.

(h) 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.

(i) 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.

(j) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) 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.

(l) Equity instruments

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

Where share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is net of any tax effects, and is recognised as a deduction from equity. Repurchased shares are cancelled immediately upon the repurchase and are presented as a deduction from total equity. No gain or loss is recognised in the income statement on the purchase, sale, issue and cancellation of the Company's own shares.

(m) 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 as interest accrues using the effective interest method.

(n) Leases

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

(o) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) 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.

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.

(q) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Income tax (cont'd)

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.

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.

(r) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Segment reporting (cont'd)

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.

(s) 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.

4. 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.

(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.

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

(ii) Provision for doubtful debts (cont'd)

Based on the above assessment, during the reporting years, 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 years, the management establishes the general provisioning policy to make provision equivalent to 5% of gross amount of raw materials at each balance sheet date.

5. 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 :-

	2008	*2007*
	RMB'000	*RMB'000*
Manufacture of mobile handset casings	**169,975**	165,233
Spray paint of mobile handset casings	**32,272**	78,870
	202,247	244,103

6. OTHER INCOME

	2008	*2007*
	RMB'000	*RMB'000*
Bank interest income	**2,502**	782
Interest income from loan to a related company	**169**	-
Interest income from investment in a structured deposit	**3,083**	-
Gain on disposal of land use rights	**2,512**	-
Others	**2,346**	1,738
	10,612	2,520

7. FINANCE COSTS

	2008	*2007*
	RMB'000	*RMB'000*
Bank loan interest	**92**	109
Interest on loan from a related company	**750**	750
Discounted notes interest	**-**	279
Other interest expenses	**-**	14
	842	1,152

8. PROFIT FROM INCOME TAX

	2008	*2007*
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging/(crediting) :-		
Employee benefits expense		
- Salaries, wages and other benefits	**29,495**	22,413
- Pension scheme costs	**518**	223
	30,013	22,636
Amortisation of land use rights	**482**	268
Depreciation	**10,829**	8,605
Exchange loss	**3,685**	2,899
Minimum lease payments under operating leases for factory premises and quarters	**2,210**	2,010
Provision for doubtful debts	**72**	828
Reversal of provision for obsolete inventories	**(5)**	(571)

9. 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 both years.

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 16.5%. It has no assessable profits for income tax purposes for both years.

Huizhou Green and Hangzhou Zhonghan are subject to the PRC enterprise income tax ("EIT") at tax rate of 25%. As approved by the PRC tax authority, each of Huizhou Green and Hangzhou Zhonghan 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 for the immediate next three calendar years. Huizhou Green's tax holiday commenced in year 2007. Hangzhou Zhonghan's tax holiday commenced on 1 January 2008.

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 :-

	2008 ***RMB'000***	*2007* *RMB'000*
Profit before income tax	**42,022**	64,411
Income tax based on the PRC EIT rate of 25% (2007 : 27%)	**10,506**	17,391
Effect of non-deductible expenses	**4,764**	589
Effect of non-taxable income	**(3,486)**	(187)
Effect of tax holiday	**(11,784)**	(17,793)
Income tax expense	**-**	-

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

10. DIVIDEND

The directors do not recommend the payment of any dividend for the year ended 31 December 2008.

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

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of RMB42,022,000 (2007 : RMB64,411,000) and the weighted average number of ordinary shares in issue during the year of 27,358,924 (2007 : 20,780,822).

Diluted earnings per share amount has not been disclosed as there were no dilutive options and other potential dilutive ordinary shares in issue during the current and preceding reporting years.

12. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	*Leasehold improvements RMB'000*	*Motor vehicles RMB'000*	*Furniture, fixtures and equipment RMB'000*	*Plant and machinery RMB'000*	*Total RMB'000*
Cost :-						
As at 1 January 2007	-	-	2,876	3,785	50,469	57,130
Additions	2,954	1,078	130	2,051	22,655	28,868
As at 31 December 2007	2,954	1,078	3,006	5,836	73,124	85,998
Accumulated depreciation :-						
As at 1 January 2007	-	-	1,445	1,137	7,003	9,585
Charge for the year	-	225	563	820	6,997	8,605
As at 31 December 2007	-	225	2,008	1,957	14,000	18,190
Net book value :-						
As at 31 December 2007	2,954	853	998	3,879	59,124	67,808
Cost :-						
As at 1 January 2008	2,954	1,078	3,006	5,836	73,124	85,998
Additions	71,143	248	1,017	1,199	3,358	76,965
Transfers	(9,496)	-	-	-	9,496	-
As at 31 December 2008	**64,601**	**1,326**	**4,023**	**7,035**	**85,978**	**162,963**
Accumulated depreciation :-						
As at 1 January 2008	-	225	2,008	1,957	14,000	18,190
Charge for the year	-	853	529	1,252	8,195	10,829
As at 31 December 2008	**-**	**1,078**	**2,537**	**3,209**	**22,195**	**29,019**
Net book value :-						
As at 31 December 2008	**64,601**	**248**	**1,486**	**3,826**	**63,783**	**133,944**

13. 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 :-

	2008 ***RMB'000***	*2007* *RMB'000*
Cost	**22,112**	23,501
Accumulated amortisation	**(827)**	(413)
Net book value as at 31 December	**21,285**	23,088
Representing :-		
Net book value as at 1 January	**23,088**	9,091
Additions	**-**	14,265
Disposals	**(1,321)**	-
Amortisation	**(482)**	(268)
Net book value as at 31 December	**21,285**	23,088
Current portion	**(465)**	(494)
Non-current portion	**20,820**	22,594

14. INVESTMENT IN A STRUCTURED DEPOSIT

The Company acquired a structured deposit product of RMB80,000,000 offered by Agricultural Bank of China (the "Bank"), with a term of one year expiring on 14 February 2009. The deposits received by the Bank from the various investors were used to provide financing to a company listed on the Shenzhen Stock Exchange. The product is capital-protected and offers an estimated annual return of 5.14%, which varies with the benchmark rate of the People's Bank of China for loan of same maturity term as the deposit. The Company is not allowed to withdraw the deposit during the one-year term.

15. INVENTORIES

	2008	*2007*
	RMB'000	*RMB'000*
Raw materials	**8,996**	8,182
Work in process	**4,577**	-
Finished goods	**18,387**	14,000
	31,960	22,182
Provision for obsolete inventories	**(404)**	(409)
	31,556	21,773

16. TRADE AND NOTES RECEIVABLES

	2008	*2007*
	RMB'000	*RMB'000*
Trade receivables	**66,093**	64,851
Provision for doubtful debts	**(3,277)**	(3,243)
	62,816	61,608
Notes receivables	**57,258**	25,032
	120,074	86,640

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

	2008	*2007*
	RMB'000	*RMB'000*
Within 90 days	**60,961**	59,991
Between 91 days to 365 days	**4,602**	3,978
Over 365 days	**530**	882
	66,093	64,851

As at 31 December 2008, trade receivables of approximately RMB11,525,000 (2007 : RMB1,617,000) were past due for less than one year but not impaired. These receivables relate to a number of independent customers for whom there is no recent history of default.

16. TRADE AND NOTES RECEIVABLES (CONT'D)

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

	2008 ***RMB'000***	*2007* *RMB'000*
As at 1 January	**3,243**	2,378
Provision for the year	**34**	865
As at 31 December	**3,277**	3,243

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2008 ***RMB'000***	*2007* *RMB'000*
Other receivables	**1,885**	3,121
Provision for doubtful debts	**(31)**	(189)
	1,854	2,932
Deposits and prepayments	**2,734**	1,677
	4,588	4,609

Movements of the provision for doubtful debts during the years were as follows :-

	2008 ***RMB'000***	*2007* *RMB'000*
As at 1 January	**189**	226
Reversal for the year	**(158)**	(37)
As at 31 December	**31**	189

18. RESTRICTED CASH

As at 31 December 2008, bank balances of RMB36,561,000 (2007 : Nil) were pledged to banks to secure the notes payables (Note 23) issued by the Group.

The restricted cash was denominated in RMB.

19. CASH AND BANK BALANCES

	2008 RMB'000	*2007 RMB'000*
Cash at banks and on hand	**22,544**	277,300
Short-term deposits	**33,807**	-
	56,351	277,300

As at 31 December 2008, 21% (2007 : 21%) of the cash and bank balances was denominated in RMB, 78% (2007: 79%) was denominated in Euro and the remaining 1% (2007 : Nil) was denominated in other foreign currencies. 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.

20. SHARE CAPITAL

Ordinary shares with no par value

Issued and fully paid :-	***Number of shares***	***RMB'000***
As at 1 January 2007	2	-
Acquisition of Pacific Ocean and Smooth Year	998	58,250
Sub-division of shares by share split	19,999,000	-
Issue of shares for initial public offering	7,500,000	282,023
As at 31 December 2007	27,500,000	340,273
Cancellation of repurchased shares (Note 20(ii))	(758,349)	-
As at 31 December 2008	**26,741,651**	**340,273**

Notes :-

(i) The Company has no authorised share capital.

(ii) 758,349 of the Company's issued and outstanding ordinary shares were repurchased out of the Company's profit from the market during the current year for an aggregate consideration of approximately SGD792,000 (approximately RMB3,714,000). These shares were cancelled immediately upon the repurchase and the consideration paid was deducted from retained earnings.

21. RESERVES

(a) Merger reserve

Merger reserve arises from the acquisition of Pacific Ocean and Smooth Year by the Company

(b) Statutory reserves

	Statutory surplus reserve fund RMB'000	*Statutory public welfare fund RMB'000*	*General reserve fund RMB'000*	*Employees' bonus and welfare fund RMB'000*	*Total RMB'000*
As at 1 January 2007	3,039	1,520	-	-	4,559
Reclassification	(3,039)	(1,520)	3,039	1,520	-
Appropriation from retained earnings	-	-	6,677	3,338	10,015
As at 31 December 2007	-	-	9,716	4,858	14,574
Appropriation from retained earnings	-	-	4,672	2,336	7,008
As at 31 December 2008	**-**	**-**	**14,388**	**7,194**	**21,582**

Notes :-

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

(ii) 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.

(iii) 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.

22. 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.

23. TRADE AND NOTES PAYABLES

	2008	*2007*
	RMB'000	*RMB'000*
Trade payables	**31,870**	45,738
Notes payables	**32,477**	-
	64,347	45,738

The notes payables as at 31 December 2008 were secured by the Group's bank deposits of RMB36,561,000 (Note 18). Approximately RMB14,415,000 of these notes payables were issued by the Group for the acquisition of property, plant and equipment.

24. ACCRUED EXPENSES AND OTHER PAYABLES

	2008	*2007*
	RMB'000	*RMB'000*
Salaries and welfare payable	**3,240**	2,411
Accruals	**3,509**	4,109
Other payables	**842**	3,316
Value-added tax payable	**1,030**	3,040
Other taxes payable	**1,006**	46
	9,627	12,922

25. AMOUNTS DUE TO DIRECTORS AND A RELATED COMPANY

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

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

26. 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.

Pension costs charged to the income statement represent contributions paid and payable by the Group to the plans and amounted to approximately RMB518,000 (2007 : RMB223,000) for the year.

27. 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 PPS 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 years ended 31 December 2008 and 2007.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) 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 manages credit risk by setting up credit control policy and periodic evaluation of credit performance of other parties, measured by the extent of past due or default and their financial healthiness.

In respect of trade and other receivables, individual credit evaluations are performed on all customers requiring credit over a certain amount and on major other debtors and related parties. The evaluations on customers focus on their past history of making payments when due and current ability to pay, and may take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The evaluations on major other debtors and related parties focus on their current ability to pay. Normally, the Group does not obtain collateral from customers and other debtors.

The Group has no significant concentrations of credit risk with exposure over a large number of customer.

Carrying amounts of financial assets as at 31 December 2008, which represented the amounts of maximum exposure to credit risk, are as follows :-

	2008 ***RMB'000***	*2007* *RMB'000*
Trade and notes receivables	**120,074**	86,640
Other receivables	**1,854**	2,932
Restricted cash	**36,561**	-
Cash and bank balances	**56,351**	277,300
	214,840	366,872

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

(b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. The Group manages liquidity risk by monitoring its liquidity position through periodic preparation of cash flows and cash balances forecasts and periodic evaluation of the Group's ability to meet its financial obligations, measured by the debt-to-equity ratio as disclosed in note 28(g) to the financial statements.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at 31 December 2008 based on contractual undiscounted payments.

	2008 ***RMB'000***	*2007* *RMB'000*
Secured bank loan	**-**	5,000
Loan from a related company	**15,000**	15,000
Trade and notes payables	**64,347**	45,738
Accrued expenses and other payables	**9,627**	12,922
Dividend payable	**5,500**	24,800
Amounts due to directors	**616**	4,963
Amount due to a related company	**14,705**	22,042
	109,795	130,465
Due for payment :-		
Within one year	**109,795**	115,465
More than one year but less than five year	**-**	15,000
	109,795	130,465

(c) 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 risk, when it is considered significant, by entering into appropriate currency forward contracts.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Currency risk (cont'd)

Carrying amounts of the Group's financial assets and financial liabilities as at 31 December 2008 that exposed to currency risk are as follows :-

	2008 ***RMB'000***	*2007* *RMB'000*
Financial assets/(liabilities) denominated in foreign currencies :-		
Trade and notes receivables	**836**	-
Deposits and other receivables	**1,557**	216
Cash and bank balances	**44,191**	218,529
	46,584	218,745
Trade and notes payables	**(14,415)**	-
Accrued expenses and other payables	**(100)**	(51)
Amounts due to directors	**(476)**	(2,696)
	(14,991)	(2,747)
Net financial assets exposed to currency risk	**31,593**	215,998
Financial assets/(liabilities) were denominated in the following foreign currencies :-		
Euro	**45,543**	218,040
United States dollars	**993**	683
Hong Kong dollars	**48**	22
	46,584	218,745
Japanese Yen	**(14,415)**	-
SGD	**(576)**	(667)
Euro	**-**	(927)
United States dollars	**-**	(416)
Hong Kong dollars	**-**	(737)
	(14,991)	(2,747)

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Currency risk (cont'd)

Should RMB as at 31 December 2008 devalue by 10% against all the foreign currencies, the carrying amount of the Group's net financial assets exposed to currency risk as at 31 December 2008 determined in accordance with IFRS 21 "The Effects of Changes in Foreign Exchange Rates" would decrease, and hence the equity as at 31 December 2008 would decrease, by approximately RMB3,159,300 (2007 : RMB21,599,800) and the profit for the year ended 31 December 2008 would decrease by RMB3,159,300 (2007 : RMB21,599,800).

(d) Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group manages its interest rate risk exposure, when it is considered necessary, by entering into interest rate swaps.

The table below summarises the interest rate profile of the Group's financial assets and financial liabilities as at 31 December 2008.

	Effective interest rate		***2008***	*2007*
	2008	*2007*	***RMB'000***	*RMB'000*
Fixed rate assets/(liabilities)				
Short-term deposits	3.42%	-	**33,807**	-
Loan from a related company	5%	5%	**15,000**	15,000
Variable rate assets/(liabilities)				
Investment in a structured deposit	5.14%	-	**80,000**	-
Bank balances	0.69%	0.76%	**22,544**	277,296
Restricted cash	4.02%	-	**36,561**	-
Bank loan	-	8.75%	**-**	(5,000)

If the market interest rate as at 31 December 2008 had been 10 basis point lower or higher with all other variables held constant, there would be no significant change to profit for the year.

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(e) 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 manages the equity price risk through diversification and placing limits on individual and total equity instruments.

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

(f) Fair value

The carrying value of financial assets and financial liabilities are assumed to approximate their fair values due to the short maturity term.

(g) Capital management

The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern and to provide an adequate return to shareholders commensurately with the level of risk. To meet these objectives, the Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions by paying dividends, issuing equity shares and raising or repaying debts as appropriate.

The Group's capital management strategy, which is unchanged from the previous periods, is to maintain a reasonable proportion in total debt and equity capital. The Group monitors equity capital on the basis of the debt-to-equity capital ratio, which is calculated as net debt over equity capital. Net debt is calculated as total debt less cash and cash equivalents. Equity capital comprises all components of equity. The debt-to-equity capital ratios as at 31 December 2008 and 2007 were as follows :-

	2008 ***RMB'000***	*2007* *RMB'000*
Total debt	**109,795**	130,465
Less: Cash and cash equivalents	**56,351**	277,300
Net debt/(cash)	**53,444**	(146,835)
Total equity	**388,124**	353,176
Debt-to-equity capital ratio	**0.14**	N/A

29. RELATED PARTY TRANSACTIONS

(a) Apart from the information as disclosed in notes 22 and 25 to the consolidated 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.

	Note	***2008 RMB'000***	*2007 RMB'000*
Purchase of materials and moulds	(i)	**771**	-
Loan interest expense	(ii)	**750**	750
Loan interest income	(iii)	**169**	-
Purchase of plant and machinery	(iv)	**-**	17,533
Sales of handset casing	(i)	**-**	4,042

Notes :-

(i) 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 22).

(iii) The interest is charged at 7.24% per annum on the outstanding principal balance.

(iv) The terms of the transaction were pre-determined between the two parties.

(b) Key management compensation

	2008 RMB'000	*2007 RMB'000*
Salaries, wages and other benefits	**1,240**	145

30. COMMITMENTS

(a) As at the balance sheet date, the Company had capital commitments in respect of acquisition of property, plant and equipment, which were contracted but not provided for, of approximately RMB55,797,000 (2007 : RMB4,574,000).

30. 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 :-

	2008 ***RMB'000***	*2007* *RMB'000*
Within one year	**841**	799
Two to five years	**1,812**	2,416
	2,653	3,215

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.

31. 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.

31. 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*	
	2008 ***RMB'000***	*2007* *RMB'000*	***2008*** ***RMB'000***	*2007* *RMB'000*	***2008*** ***RMB'000***	*2007* *RMB'000*	***2008*** ***RMB'000***	*2007* *RMB'000*	***2008*** ***RMB'000***	*2007* *RMB'000*
Revenue :										
External customers	**169,975**	165,233	**32,272**	78,870	**-**	-	**-**	-	**202,247**	244,103
Other revenue	**6,323**	1,116	**1,200**	533	**3,089**	871	**-**	-	**10,612**	2,520
	176,298	166,349	**33,472**	79,403	**3,089**	871	**-**	-	**212,859**	246,623
Segment results	**31,441**	45,274	**5,970**	21,611	**2,782**	(2,104)	**-**	-	**40,193**	64,781
Interest income									**2,671**	782
Finance costs									**(842)**	(1,152)
Profit before income tax									**42,022**	64,411
Income tax expense									**-**	-
Profit for the year									**42,022**	64,411
Depreciation and amortisation	**9,506**	6,006	**1,805**	2,867	**-**	-	**-**	-	**11,311**	8,873
Segment assets	**350,500**	276,812	**66,547**	132,130	**80,872**	74,699	**-**	-	**497,919**	483,641
Segment liabilities	**75,088**	53,573	**14,256**	25,572	**-**	6,520	**-**	-	**89,344**	85,665
Unallocated liabilities									**20,451**	44,800
									109,795	130,465
Capital expenditure incurred during the year	**73,665**	30,444	**13,986**	14,531	**451**	-	**-**	-	**88,102**	44,975

(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*	
	2008 ***RMB'000***	*2007* *RMB'000*	***2008*** ***RMB'000***	*2007* *RMB'000*	***2008*** ***RMB'000***	*2007* *RMB'000*	***2008*** ***RMB'000***	*2007* *RMB'000*	***2008*** ***RMB'000***	*2007* *RMB'000*
External sales	**200,284**	233,059	**-**	9,444	**-**	-	**1,963**	1,600	**202,247**	244,103
Segment assets	**492,084**	408,993	**-**	216	**3,450**	68,615	**2,385**	5,817	**497,919**	483,641
Capital expenditure incurred during the year	**87,651**	44,975	**-**	-	**-**	-	**451**	-	**88,102**	44,975