PKF

Accountants &
business advisers

Greater China Precision Components Limited

Consolidated Financial Statements
For the year ended 31 December 2009

梁學濂

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009

CONTENTS

PKF

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 (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows 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 2009, 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
17 April 2010

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

梁學濂

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	***2009*** ***RMB'000***	*2008* *RMB'000*
Revenue	5	**245,894**	202,247
Cost of sales		**(181,114)**	(141,377)
Gross profit		**64,780**	60,870
Other income	6	**4,565**	10,612
Selling and distribution costs		**(4,589)**	(3,557)
Administrative expenses		**(28,007)**	(25,061)
Finance costs	7	**(184)**	(842)
Profit before income tax	8	**36,565**	42,022
Income tax expense	9(a)	**(4,806)**	-
Profit for the year		**31,759**	42,022
Other comprehensive loss			
Exchange difference arising on translation of foreign operations		**(383)**	(3,360)
Total comprehensive income for the year		**31,376**	38,662
Earnings per share	11		
Basic		**1.20**	1.54
Diluted		**N/A**	N/A

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2009

	Note	**2009 RMB'000**	2008 RMB'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	12	**205,554**	133,944
Land use rights	13	**20,355**	20,820
Deposits for acquisition of property, plant and equipment		**25,427**	13,560
		251,336	168,324
CURRENT ASSETS			
Land use rights	13	**465**	465
Investment in structured deposits	14	**-**	80,000
Financial assets at fair value through profit or loss	15	**22,241**	-
Inventories	16	**65,949**	31,556
Trade and notes receivables	17	**141,206**	120,074
Deposits, prepayments and other receivables	18	**4,694**	4,588
Income tax recoverable		**15**	-
Restricted cash	19	**15,149**	36,561
Cash and bank balances	20	**30,521**	56,351
		280,240	329,595
TOTAL ASSETS		**531,576**	497,919
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital	21	**340,273**	340,273
Treasury shares	21(b)	**(2,499)**	-
Reserves		**78,674**	47,851
TOTAL EQUITY		**416,448**	388,124
CURRENT LIABILITIES			
Bank advances for discounted notes	17(b)	**8,301**	-
Loan from a related company	23	**-**	15,000
Trade and notes payables	24	**85,153**	64,347
Accrued expenses and other payables	25	**19,646**	9,627
Dividend payable	26	**-**	5,500
Amounts due to directors	23	**564**	616
Amount due to a related company	23	**-**	14,705
Income tax payable		**1,464**	-
TOTAL LIABILITIES		**115,128**	109,795
TOTAL EQUITY AND LIABILITIES		**531,576**	497,919

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2009

	Share capital RMB'000	*Treasury shares RMB'000*	*Merger reserve RMB'000 (Note 22(a))*	*Statutory reserves RMB'000 (Note 22(b))*	*Exchange reserve RMB'000*	*Retained earnings RMB'000*	*Total RMB'000*
As at 1 January 2008	340,273	-	(56,863)	14,574	-	55,192	353,176
Total comprehensive income for the year	-	-	-	-	(3,360)	42,022	38,662
Appropriation to statutory reserves	-	-	-	7,008	-	(7,008)	-
Repurchase of shares	-	-	-	-	-	(3,714)	(3,714)
As at 31 December 2008	340,273	-	(56,863)	21,582	(3,360)	86,492	388,124
As at 1 January 2009	340,273	-	(56,863)	21,582	(3,360)	86,492	388,124
Total comprehensive income for the year	-	-	-	-	(383)	31,759	31,376
Appropriation to statutory reserves	-	-	-	4,957	-	(4,957)	-
Repurchase of shares	-	(2,499)	-	-	-	(553)	(3,052)
As at 31 December 2009	**340,273**	**(2,499)**	**(56,863)**	**26,539**	**(3,743)**	**112,741**	**416,448**

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2009

	2009	*2008*
	RMB'000	*RMB'000*
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before income tax	**36,565**	42,022
Adjustments for :-		
Interest income	**(2,754)**	(5,754)
Interest expenses	**184**	842
Amortisation of land use rights	**465**	482
Depreciation	**12,744**	10,829
Provision for doubtful debts	**79**	72
Provision/(reversal of provision) for obsolete inventories	**1,621**	(5)
Net gain from financial assets at fair value through profit or loss	**(690)**	-
Gain on disposal of land use rights	**-**	(2,512)
Operating profit before working capital changes	**48,214**	45,976
Increase in inventories	**(36,014)**	(9,778)
Increase in trade and notes receivables	**(21,185)**	(33,664)
(Increase)/decrease in deposits, prepayments and other receivables	**(92)**	54
Decrease/(increase) in restricted cash	**21,412**	(36,561)
Increase in trade and notes payables	**32,580**	3,350
Increase/(decrease) in accrued expenses and other payables	**359**	(3,197)
Decrease in amounts due to directors	**(64)**	(3,731)
Cash generated from/(used in) operations	**45,210**	(37,551)
Interest received	**1,936**	2,671
Income tax paid	**(3,356)**	-
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**43,790**	(34,880)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial assets at fair value through profit or loss	**35,077**	-
Proceeds from disposal of land use rights	**-**	3,833
Interest received from investment in structured deposits	**818**	3,083
Acquisition of financial assets at fair value through profit or loss	**(56,650)**	-
Payments to acquire property, plant and equipment	**(72,908)**	(59,289)
Net proceeds from/(payments to acquire) investment in structured deposits	**80,000**	(80,000)
Deposits for acquisition of property, plant and equipment	**(25,427)**	(13,560)
NET CASH USED IN INVESTING ACTIVITIES	**(39,090)**	(145,933)
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank advances for discounted notes	**8,301**	-
Repurchase of shares	**(3,052)**	(3,714)
Repayment of bank loan	**-**	(5,000)
Dividend paid	**(5,500)**	(19,300)
Interest paid	**(184)**	(92)
Repayment of loan from a related company	**(15,000)**	-
Decrease in amount due to a related company	**(14,705)**	(8,074)
NET CASH USED IN FINANCING ACTIVITIES	**(30,140)**	(36,180)
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(25,440)**	(216,993)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(390)**	(3,956)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**56,351**	277,300
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**30,521**	56,351
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**30,521**	56,351

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 2009, 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
Green Precision Components (Huizhou) Co., Ltd. ("Huizhou Green")	The 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.

2. BASIS OF PREPARATION

(a) Statement of compliance

These consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (the "IFRS") issued by the International Accounting Standards Board (the "IASB").

2. BASIS OF PREPARATION (CONT'D)

(b) Adoption of new and amended International Financial Reporting Standards

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

IAS 1 (Revised 2007)	Presentation of Financial Statements
IAS 23 (Revised 2007)	Borrowing Costs
IAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or an Associate
IFRS 2 (Amendments)	Share-based Payment - Vesting Conditions and Cancellations
IFRS 7 (Amendments)	Improving Disclosure about Financial Instruments
IFRS 8	Operating Segments
Various	Annual Improvements to IFRSs 2008

Other than those described below, the adoption of other new and amended IFRS had no material impact on how the Group's results and financial position for the current and prior periods have been prepared and presented.

IAS 1 (Revised 2007) "Presentation of Financial Statements"

The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As a result, the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

IFRS 7 (Amendments) "Improving Disclosures about Financial Instruments"

The amendments require additional disclosure for financial instruments which are measured at fair value in the statement of financial position. These fair value measurements are categorised into a three-level fair value hierarchy, which reflects the extent of observable market data used in making the measurement. In addition, the maturity analysis for derivative financial liabilities is disclosed separately and should show remaining contractual maturities for those derivatives where this information is essential for an understanding of the timing of the cash flows. The Group has taken advantage of the transitional provisions in the amendments and has not provided comparative information in respect of the new requirements.

2. BASIS OF PREPARATION (CONT'D)

(c) Standards, amendments and interpretation to existing standards that are not yet effective

At the date of authorisation of these financial statements, the following new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IAS 24 (Revised)	Related Party Disclosures - Revised Definition of Related Parties[7]
IAS 27 (Amendments)	Consolidated and Separate Financial Statements - Consequential Amendments Arising from Amendments to IFRS 3[1]
IAS 28 (Amendments)	Investments in Associates - Consequential Amendments Arising from Amendments to IFRS 3[1]
IAS 31 (Amendments)	Interests in Joint Ventures - Consequential Amendments Arising from Amendments to IFRS 3[1]
IAS 32 (Amendments)	Financial Instruments: Presentation - Amendments Relating to Classification of Rights Issue[5]
IAS 39 (Amendments)	Financial Instruments: Recognition and Measurement - Amendments for Eligible Hedged Items[1]
IFRS 1 (Revised)	First-time Adoption of International Financial Reporting Standards - Revised and Restructured[1]
IFRS 1 (Amendments)	First-time Adoption of International Financial Reporting Standards - Amendment Relating to Oil and Gas Assets and Determining whether an Arrangement Contains a Lease[4]
IFRS 2 (Amendments)	Share-based Payment - Amendment Relating to Group Cash-settled Share-based Payment Transactions[4]
IFRS 3 (Revised)	Business Combinations - Comprehensive Revision on Applying the Acquisition Method[1]
IFRS 5 (Amendments)	Non-current Assets Held for Sale and Discontinued Operations - Amendments resulting from May 2008 Annual Improvement to IFRSs[1]
IFRS 9	Financial Instruments - Classification and Measurement[8]
IFRIC - INT 14 (Amendments)	IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment (with Respect to Voluntary Prepaid Contributions) [7]
IFRIC - INT 17	Distributions of Non-cash Assets to Owners[1]
IFRIC - INT 18	Transfers of Assets from Customers[2]
IFRIC - INT 19	Extinguishing Financial Liabilities with Equity Instruments[6]
Various	Annual Improvements to IFRS 2009[3]

2. BASIS OF PREPARATION (CONT'D)

(c) Standards, amendments and interpretation to existing standards that are not yet effective (cont'd)

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Transfers received on or after 1 July 2009
[3] Generally effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 unless otherwise stated in the specific IFRS
[4] Effective for annual periods beginning on or after 1 January 2010
[5] Effective for annual periods beginning on or after 1 February 2010
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2011
[8] Effective for annual periods beginning on or after 1 January 2013

The directors of the Company anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning after the effective date of the pronouncement. Information on new and amended IFRS that are expected to have impact on the Group's accounting policies is provided below.

IFRS 3 (Revised) "Business Combinations"

The standard is applicable in reporting periods beginning on or after 1 July 2009 and will be applied prospectively. The new standard still requires the use of the purchase method (now renamed the acquisition method) but introduces material changes to the recognition and measurement of consideration transferred and the acquiree's identifiable asset and liabilities, and the measurement of non-controlling interests (previously known as minority interest) in the acquiree. The new standard is expected to have a significant effect on business combinations occurring in reporting periods beginning on or after 1 July 2009.

IFRS 9 "Financial Instruments"

The standard is effective for accounting periods beginning on or after 1 January 2013 and addresses the classification and measurement of financial assets. The new standard reduces the number of measurement categories of financial assets and all financial assets will be measured at either amortised cost or fair value based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains and losses will be recognised in profit or loss except for those on certain equity investments which will be presented in other comprehensive income. The directors are currently assessing the possible impact of the new standard on the Group's results and financial position in the first year of application.

2. BASIS OF PREPARATION (CONT'D)

(c) Standards, amendments and interpretation to existing standards that are not yet effective (cont'd)

IAS 27 (Revised) "Consolidated and Separate Financial Statements"

The revised standard is effective for accounting periods beginning on or after 1 July 2009 and introduces changes to the accounting requirements for the loss of control of a subsidiary and for changes in the Group's interest in subsidiaries. Total comprehensive income must be attributed to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. The directors do not expect the standard to have a material effect on the Group's financial statements.

Annual Improvements to IFRSs 2009

The IASB has issued Improvement to International Financial Reporting Standards 2009. Most of the amendments become effective for annual period beginning on or after 1 January 2010. The Group expects the amendment to IAS 17 "Leases" to be relevant to the Group's accounting policies. Prior to the amendment, IAS 17 generally required a lease of land to be classified as an operating lease. The amendment requires a lease of land to be classified as an operating or finance lease in accordance with the general principles in IAS 17. The Group will need to reassess the classification of its unexpired leases of land at 1 January 2010 on the basis of information existing at the inception of those leases in accordance with the transitional provisions for the amendment. The amendment will apply retrospectively except where the necessary information is not available. In that situation, the leases will be assessed on the date when the amendment is adopted. The directors are currently assessing the possible impact of the amendment on the Group's results and financial position in the first year of application.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Measurement basis

The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of financial assets at fair value through profit or loss.

(b) 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 profit or loss 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 (CONT'D)

(c) 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 profit or loss 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***
Buildings	30 years	3.23%
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 the end of each reporting period.

Construction in progress represents buildings, plant and equipment under development, and is stated at cost less any accumulated impairment losses, and is not depreciated. 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 profit or loss in the year the item is derecognised.

(d) 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)

(e) 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 from 47 to 48 years.

(f) Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial 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 profit or loss, 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 profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation increase.

(g) Financial assets

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (cont'd)

The Group's financial assets are classified into the following categories: financial assets at fair value through profit or loss, and loan and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit or loss

Financial assets are classified as at financial assets at fair value through profit or loss when the financial asset is either held for trading or it is designated as this catoegory.

A financial asset is classified as held for trading if :-

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss upon initial recognition if :-

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at fair value through profit or loss.

Financial assets at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. Dividend or interest earned on the financial asset is included in profit or loss.

Loans and receivables

Trade and notes receivables, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial assets (cont'd)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flow (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss for the period in which the impairment occurs.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss for the period in which the reversal occurs.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

(h) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) 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.

(j) Financial liabilities

The Group's financial liabilities include trade and notes payables, borrowings and amounts due to directors and a related company.

Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are recognised as an expense in finance costs in profit or loss.

Trade and notes payables, and amounts due to directors and a related company

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Bank and other borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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 or classified as treasury shares and are presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue and cancellation of the Company's own shares. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is transferred to or from retained earnings.

(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 it accrues using the effective interest method.

(n) Leases

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

(o) Retirement benefits

The Group participates in the statutory defined contribution retirement scheme organised by the relevant local government authority in the PRC. Certain employees of the Group eligible to participate in the retirement scheme are entitled to retirement benefits from the scheme. The local government authority is responsible for the pension liabilities to these retired employees. The Group is required to make monthly contributions to the retirement scheme up to the time of retirement of the eligible employees, at certain percentage of the local standard basic salaries.

(p) Foreign currencies

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).

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) Foreign currencies (cont'd)

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 the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. 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 end of the reporting period. 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 statement of comprehensive income 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 end of the reporting period.

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.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Income tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period 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 end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, 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 taxes are recognised as an expense or income in profit or loss, 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

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the chief operating decision maker, directors of the Company, for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the directors are determined following the Group's major product and service lines.

The Group identifies the following reportable segments:

- Manufacture of mobile handset casings segment comprises molding and fabrication of handset casings, followed by the surface spray painting and assembling of the parts; and
- Spray paint of mobile handset casings segment comprises surface painting of handset casings.

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Segment reporting (cont'd)

Each of these operating segments is managed separately as each of the product and service lines requires different sources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

(s) Related parties

For the purpose of these financial statements, a party is considered to be related to the Group if :-

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
(ii) the Group and the party are subject to common control;
(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
(iv) the party is a member of the key management personnel of the Group or the Group's parent or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;
(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATION

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

(a) 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.

4. CRITICAL ACCOUNTING ESTIMATION (CONT'D)

(b) 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 years, the management establishes the general provisioning policy to make provision equivalent to 5% of gross amount of trade and other receivables outstanding at the end of the reporting period. Additional specific provision is made against trade and other receivables to the extent which they are considered to be doubtful.

(c) Provision for obsolete inventories

The Group reviews the aging analysis of inventories at the end of each reporting period, 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 the end of each reporting period 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 inventories at the end of the reporting period.

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 :-

	2009 ***RMB'000***	*2008* *RMB'000*
Manufacture of mobile handset casings	**228,486**	169,975
Spray paint of mobile handset casings	**17,408**	32,272
	245,894	202,247

6. OTHER INCOME

	2009	*2008*
	RMB'000	*RMB'000*
Bank interest income	**1,936**	2,502
Interest income from loan to a related company	**-**	169
Interest income from investment in structured deposits	**818**	3,083
Net gain arising from financial assets at fair value through profit or loss	**690**	-
Gain on disposal of land use rights	**-**	2,512
Others	**1,121**	2,346
	4,565	10,612

7. FINANCE COSTS

	2009	*2008*
	RMB'000	*RMB'000*
Interest on bank borrowings	**79**	92
Interest on loan from a related company	**105**	750
	184	842

8. PROFIT BEFORE INCOME TAX

	2009	*2008*
	RMB'000	*RMB'000*
Profit before income tax is arrived at after charging/(crediting) :-		
Employee benefits expense		
- Salaries, wages and other benefits	**42,346**	29,495
- Pension scheme costs	**666**	518
	43,012	30,013
Amortisation of land use rights	**465**	482
Depreciation	**12,744**	10,829
Exchange loss	**63**	3,685
Minimum lease payments under operating leases for factory premises and quarters	**2,363**	2,210
Provision for doubtful debts	**79**	72
Provision/(reversal of provision) for obsolete inventories	**1,621**	(5)

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% on the estimated assessable profit for the year.

Huizhou Green is subject to the PRC enterprise income tax ("EIT") at tax rate of 25%. As approved by the PRC tax authority, Huizhou Green 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.

Income tax expense in the consolidated statement of comprehensive income represents current tax :-

	2009	*2008*
	RMB'000	*RMB'000*
Provision for PRC EIT	**4,721**	-
Provision for Hong Kong profits tax	**71**	-
Under-provision in respect of prior year	**14**	-
	4,806	-

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 :-

	2009	*2008*
	RMB'000	*RMB'000*
Profit before income tax	**36,565**	42,022
Income tax based on the PRC EIT rate of 25%	**9,141**	10,506
Effect of non-deductible expenses	**929**	4,764
Effect of non-taxable income	**(288)**	(3,486)
Effect of differential tax rates	**(36)**	-
Effect of tax holiday	**(4,825)**	(11,784)
Under-provision in respect of prior year	**14**	-
Others	**(129)**	-
Income tax expense	**4,806**	-

9. INCOME TAX (CONT'D)

(b) A withholding tax of 5% is levied on the Hong Kong companies in respect of dividend distributions arising from profits of PRC foreign investment enterprises earned after 1 January 2008. During the year, Huizhou Green did not declare dividend in relation to its profits earned after 1 January 2008 and no withholding tax on dividend was charged to profit or loss accordingly.

As at 31 December 2009, the Group was in a position to control the dividend policies of Huizhou Green and had no intention to declare dividend from Huizhou Green's profits earned after 1 January 2008 in the foreseeable future. In this regard, no deferred tax liabilities had been recognised in respect of the temporary differences of approximately RMB69,402,000 (2008 : RMB40,481,000) associated with Huizhou Green's undistributed earnings.

10. DIVIDEND

The directors do not recommend the payment of any interim dividend for the year ended 31 December 2009 (2008 : Nil).

Subsequent to the reporting period, the directors proposed a final dividend of RMB0.3 per ordinary share (2008 : Nil). This dividend has not been recognised as a liability as at 31 December 2009.

11. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year of RMB31,759,000 (2008 : RMB42,022,000) and the weighted average number of ordinary shares in issue during the year of 26,420,581 (2008 : 27,358,924).

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 years.

12. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress RMB'000	*Buildings 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 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
Cost :-							
As at 1 January 2009	64,601	-	1,326	4,023	7,035	85,978	162,963
Additions	49,017	-	-	660	7,085	27,592	84,354
Transfers	(71,130)	59,511	-	-	-	11,619	-
As at 31 December 2009	**42,488**	**59,511**	**1,326**	**4,683**	**14,120**	**125,189**	**247,317**
Accumulated depreciation :-							
As at 1 January 2009	-	-	1,078	2,537	3,209	22,195	29,019
Charge for the year	-	-	248	433	1,355	10,708	12,744
As at 31 December 2009	**-**	**-**	**1,326**	**2,970**	**4,564**	**32,903**	**41,763**
Net book value :-							
As at 31 December 2009	**42,488**	**59,511**	**-**	**1,713**	**9,556**	**92,286**	**205,554**

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 :-

	2009 RMB'000	*2008 RMB'000*
Cost	**22,112**	22,112
Accumulated amortisation	**(1,292)**	(827)
Net book value as at 31 December	**20,820**	21,285

13. LAND USE RIGHTS (CONT'D)

Representing :-	***2009***	*2008*
	RMB'000	*RMB'000*
Net book value as at 1 January	**21,285**	23,088
Disposals	**-**	(1,321)
Amortisation	**(465)**	(482)
Net book value as at 31 December	**20,820**	21,285
Current portion	**(465)**	(465)
Non-current portion	**20,355**	20,820

14. INVESTMENT IN STRUCTURED DEPOSITS

The structured deposits are offered by a PRC bank and capital-protected, and offer estimated annual returns varied with the benchmark rate of the People's Bank of China for loans of same maturity terms as the deposits.

The deposit of RMB80,000,000 as at 31 December 2008, which carried an annual return of 5.14%, expired in February 2009 and was withdrawn on the maturity date. The Group also acquired another structured deposit of RMB13,290,000 with maturity term of one month and an annual return of 1.7% during the year. The deposit was withdrawn on the maturity date.

15. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2009	*2008*
	RMB'000	*RMB'000*
Listed equity securities in the United States, at market value	**22,241**	-

The market value of the Group's investments in listed equity securities was determined directly by reference to their published price quotations in active markets as at 31 December 2009.

16. INVENTORIES

	2009	*2008*
	RMB'000	*RMB'000*
Raw materials	**13,147**	8,996
Work in process	**11,202**	4,577
Finished goods	**43,625**	18,387
	67,974	31,960
Provision for obsolete inventories	**(2,025)**	(404)
	65,949	31,556

17. TRADE AND NOTES RECEIVABLES

	2009	*2008*
	RMB'000	*RMB'000*
Trade receivables	**61,984**	66,093
Provision for doubtful debts	**(3,330)**	(3,277)
	58,654	62,816
Notes receivables	**82,552**	57,258
	141,206	120,074

Notes :-

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

	2009	*2008*
	RMB'000	*RMB'000*
Within 90 days	**58,740**	60,961
Between 91 days to 365 days	**1,286**	4,602
Over 365 days	**1,958**	530
	61,984	66,093

As at 31 December 2009, trade receivables of approximately RMB3,996,000 (2008 RMB11,525,000) 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.

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 year were as follows :-

17. TRADE AND NOTES RECEIVABLES (CONT'D)

(a) (cont'd)

	2009	*2008*
	RMB'000	*RMB'000*
As at 1 January	**3,277**	3,243
Provision for the year	**53**	230
Amounts written off during the year as uncollectible	**-**	(196)
As at 31 December	**3,330**	3,277

(b) The Group transferred a note amounting to approximately RMB8,301,000 (2008 : Nil) to a bank in exchange for cash as at 31 December 2009. The transaction has been accounted for as collateralised bank advances.

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2009	*2008*
	RMB'000	*RMB'000*
Other receivables	**1,533**	1,885
Provision for doubtful debts	**(57)**	(31)
	1,476	1,854
Deposits and prepayments	**3,218**	2,734
	4,694	4,588

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

	2009	*2008*
	RMB'000	*RMB'000*
As at 1 January	**31**	189
Provision/(reversal) for the year	**26**	(158)
As at 31 December	**57**	31

19. RESTRICTED CASH

As at 31 December 2009, bank balances of RMB15,149,000 (2008 : RMB36,561,000) were pledged to banks to secure the notes payables (Note 24) issued by the Group. The restricted cash was denominated in RMB.

20. CASH AND BANK BALANCES

	2009 ***RMB'000***	*2008* *RMB'000*
Cash at banks and on hand	**30,521**	22,544
Short-term deposits	**-**	33,807
	30,521	56,351

As at 31 December 2009, 28% (2008 : 21%) of the cash and bank balances was denominated in RMB. 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.

21. SHARE CAPITAL

Ordinary shares with no par value

Issued and fully paid :-	***Number of shares***	***RMB'000***
As at 1 January 2008	27,500,000	340,273
Cancellation of repurchased shares (Note 21(b))	(758,349)	-
As at 31 December 2008	26,741,651	340,273
Cancellation of repurchased shares (Note 21(b))	(141,651)	-
As at 31 December 2009	**26,600,000**	**340,273**

Notes :-

(a) The Company has no authorised share capital.

(b) During the year ended 31 December 2009, the Company completed the buy-back of 512,151 (2008 : 758,349) ordinary shares under its share buy back program. The total consideration for shares bought back on the market is approximately RMB3,052,000 (2008 : RMB3,714,000), being an average market price, including incidental costs, of RMB5.96 (2008 : RMB4.90) per share.

141,651 (2008 : 758,349) of these shares were immediately cancelled upon the repurchase and the aggregate consideration paid of approximately RMB553,000 (2008 : RMB3,714,000) was deducted from retained earnings. The remaining 370,500 (2008 : Nil) repurchased shares, which were held by the Company as of 31 December 2009, with aggregate consideration paid of approximately RMB2,499,000 (2008 : Nil), were classified as a deduction from equity under "Treasury shares".

22. RESERVES

(a) Merger reserve

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

(b) Statutory reserves

	General reserve fund RMB'000	*Employees' bonus and welfare fund RMB'000*	*Total RMB'000*
As at 1 January 2008	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
Appropriation from retained earnings	3,305	1,652	4,957
As at 31 December 2009	**17,693**	**8,846**	**26,539**

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.

23. LOAN FROM A RELATED COMPANY/AMOUNTS DUE TO A RELATED COMPANY AND DIRECTORS

The loan is interest-bearing at 5% per annum and the amounts due to a related company and directors are interest-free. All loan and amounts are unsecured. The Group fully repaid the loan and amount due to a related company during the year. The amounts due to directors are repayable on demand.

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

24. TRADE AND NOTES PAYABLES

	2009 RMB'000	*2008 RMB'000*
Trade payables	**64,896**	31,870
Notes payables	**20,257**	32,477
	85,153	64,347

The notes payables as at 31 December 2009 were secured by the Group's bank deposits of RMB15,149,000 (2008 : RMB36,561,000) (Note 19). Approximately RMB2,641,000 (2008 : RMB14,415,000) of these notes payables were issued by the Group for the acquisition of property, plant and equipment.

25. ACCRUED EXPENSES AND OTHER PAYABLES

	2009 RMB'000	*2008 RMB'000*
Salaries and welfare payable	**4,659**	3,240
Payable for acquisition of property, plant and equipment	**9,660**	-
Accruals	**2,002**	3,509
Other payables	**1,031**	842
Value-added tax payable	**1,234**	1,030
Other taxes payable	**1,060**	1,006
	19,646	9,627

26. DIVIDEND PAYABLE

The dividend payable of RMB5,500,000 as at 31 December 2008 was related to the dividend declared by Huizhou Green before the listing of the Company's shares on the Frankfurt Stock Exchange. The dividend was fully settled during the year.

27. RETIREMENT BENEFIT COSTS

The Group participates in the statutory defined contribution retirement scheme for its employees in the PRC. Contributions are made based on a certain percentage of the local standard basic salaries and are charged to profit or loss in the year in which they become payable.

Pension scheme costs charged to profit or loss represent contributions paid and payable by the Group to the scheme and amounted to approximately RMB666,000 (2008 : RMB518,000) for the year.

28. 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 2009 and 2008.

29. 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.

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

(a) Credit risk (cont'd)

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. 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 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 2009, which represented the amounts of maximum exposure to credit risk, are as follows :-

	2009	*2008*
	RMB'000	*RMB'000*
Financial assets at fair value through profit or loss	**22,241**	-
Trade and notes receivables	**141,206**	120,074
Other receivables	**1,476**	1,854
Restricted cash	**15,149**	36,561
Cash and bank balances	**30,521**	56,351
	210,593	214,840

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.

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

(b) Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's non-derivative financial liabilities as at 31 December 2009 based on contractual undiscounted payments.

	2009 ***RMB'000***	*2008* *RMB'000*
Bank advances for discounted notes	**8,301**	-
Loan from a related company	**-**	15,000
Trade and notes payables	**85,153**	64,347
Accrued expenses and other payables	**19,646**	9,627
Dividend payable	**-**	5,500
Amounts due to directors	**564**	616
Amount due to a related company	**-**	14,705
Due for payment on demand or within one year	**113,664**	109,795

(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.

Carrying amounts of the Group's financial assets/(liabilities) as at 31 December 2009 that exposed to currency risk are as follows :-

	2009 ***RMB'000***	*2008* *RMB'000*
Financial assets at fair value through profit or loss	**22,241**	-
Trade and notes receivables	**943**	836
Other receivables	**603**	1,557
Cash and bank balances	**21,348**	44,191
Trade and notes payables	**(2,641)**	(14,415)
Accrued expenses and other payables	**-**	(100)
Amounts due to directors	**-**	(476)
Net financial assets exposed to currency risk	**42,494**	31,593

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

(c) Currency risk (cont'd)

The above financial assets/(liabilities) were denominated in the following foreign currencies :-

	2009	*2008*
	RMB'000	*RMB'000*
Euro	**18,491**	45,543
United States dollars	**26,644**	993
Hong Kong dollars	**-**	48
Japanese Yen	**(2,641)**	(14,415)
Singapore dollars	**-**	(576)
	42,494	31,593

Should RMB as at 31 December 2009 fluctuate 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 2009 determined in accordance with IFRS 21 "The Effects of Changes in Foreign Exchange Rates" would increase/decrease, and hence the equity as at 31 December 2009 would increase/decrease, by approximately RMB4,409,000 (2008 : RMB3,159,000) and the profit for the year then ended would increase/decrease by RMB160,000 (2008 : RMB3,159,000).

(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 2009.

	Effective interest rate		***2009***	*2008*
	2009	*2008*	***RMB'000***	*RMB'000*
	%	*%*		
Fixed rate assets/(liabilities)				
Short-term deposits	-	3.42	**-**	33,807
Bank advances for discounted notes	1.95	-	**(8,301)**	-
Loan from a related company	-	5.00	**-**	(15,000)

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

(c) Interest rate risk (cont'd)

	Effective interest rate			
	2009	*2008*	***2009***	*2008*
	%	*%*	***RMB'000***	*RMB'000*
Variable rate assets				
Investment in structured deposits	-	5.14	**-**	80,000
Bank balances	0.36	0.69	**21,818**	22,544
Restricted cash	1.85	4.02	**15,149**	36,561

Should the market interest rate as at 31 December 2009 fluctuate by 10 basis points with all other variables held constant, there would be no significant change to the profit for the year.

(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 market price risk through diversification and placing limits on individual and total equity instruments.

The Group's equity investments of RMB22,241,000 are listed in the United States and are exposed to market price risk. Should the market price of these investments as at 31 December 2009 fluctuate by 10%, their carrying amount would increase/decrease, and hence the profit for the year would increase/decrease by RMB2,224,000.

(f) Fair value

(i) Financial instruments carried at fair value

The three levels of the fair value hierarchy in IFRS 7 "Financial Instruments : Disclosures" are defined as follows :-

- Level 1 (highest level) : Fair values are measured using quoted prices (unadjusted) in active markets for identical financial instruments
- Level 2 : Fair values are measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data
- Level 3 (lowest level) : Fair values are measured using valuation techniques in which any significant input is not based on observable market data

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

(f) Fair value (cont'd)

(i) Financial instruments carried at fair value (cont'd)

As at 31 December 2009, the Group's financial assets at fair value through profit or loss of RMB22,241,000 were carried at fair value which was based on Level 1 of the fair value hierarchy.

During the year ended 31 December 2009, there were no transfers between financial instruments in Level 1 and Level 2.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's financial instruments carried at cost or amortised cost were not materially different from their fair values as at 31 December 2009 and 2008.

(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 ratio as at 31 December 2009 was as follows :-

	2009 ***RMB'000***	*2008* *RMB'000*
Total debt	**115,128**	109,795
Less: Cash and cash equivalents	**30,521**	56,351
Net debt	**84,607**	53,444
Total equity	**416,448**	388,124
Debt-to-equity capital ratio	**0.20**	0.14

30. RELATED PARTY TRANSACTIONS

(a) Apart from the information as disclosed in note 23 to the consolidated financial statements, during the year, the Group had the following transactions with a related company in which directors Messrs. Wu Baofa and Wu Baoyu have control.

	Note	***2009***	*2008*
		RMB'000	*RMB'000*
Purchase of materials and moulds	(i)	**75**	771
Loan interest expense	(ii)	**105**	750
Loan interest income	(ii)	**-**	169

Notes :-

(i) The prices of the transactions were determined with reference to market prices.

(ii) The interest expenses and income are charged at 5% (Note 23) and 7.24% per annum on the outstanding principal balance respectively.

(b) Key management compensation

	2009	*2008*
	RMB'000	*RMB'000*
Salaries, wages and other benefits	**1,158**	1,240

31. COMMITMENTS

(a) As at 31 December 2009, the Company had capital commitments in respect of acquisition of property, plant and equipment, which were contracted but not provided for, of approximately RMB30,444,000 (2008 : RMB55,797,000).

(b) As at 31 December 2009, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows :-

	2009	*2008*
	RMB'000	*RMB'000*
Within one year	**704**	841
Two to five years	**1,033**	1,812
	1,737	2,653

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

32. SEGMENT INFORMATION

IFRS 8 “Operating Segments” replaces IAS 14 “Segment Reporting”. The new standard requires a “management approach”, under which segment information is presented on the same basis as that used for internal reporting purposes. The adoption of IFRS 8 has not affected the identified and reportable operating segments for the Group.

The Group has two reportable segments, namely manufacture of mobile handset casings and spray paint of mobile handset casings, respectively. The segment information is as follows :-

	Manufacture of mobile handset casings		***Spray paint of mobile handset casings***		***Unallocated***		***Total***	
	2009 RMB'000	*2008 RMB'000*	***2009 RMB'000***	*2008 RMB'000*	***2009 RMB'000***	*2008 RMB'000*	***2009 RMB'000***	*2008 RMB'000*
Revenue from external customers	**228,486**	169,975	**17,408**	32,272	**-**	-	**245,894**	202,247
Segment profits	**31,095**	31,441	**2,369**	5,970	**1,349**	2,782	**34,813**	40,193
Interest income							**1,936**	2,671
Finance costs							**(184)**	(842)
Profit before income tax							**36,565**	42,022
Income tax expense							**(4,806)**	-
Profit for the year							**31,759**	42,022
Depreciation and amortisation	**12,274**	9,506	**935**	1,805	**-**	-	**13,209**	11,311
Segment assets	**469,623**	350,500	**35,780**	66,547	**26,173**	80,872	**531,576**	497,919
Segment liabilities	**106,912**	75,088	**8,145**	14,256	**71**	20,451	**115,128**	109,795
Capital expenditure incurred during the year	**89,409**	73,665	**6,812**	13,986	**-**	451	**96,221**	88,102

Substantially all of the businesses of the Group are carried out in the PRC. Accordingly, no segment information is presented.

During the year ended 31 December 2009, there were two (2008 : one) single customers of the manufacture of mobile handset casings segment that individually contributed more than 10% to the Group’s revenue. The revenue from transactions with these two (2008 : one) customers amounted to approximately RMB88,434,000 and RMB52,851,000 (2008 : approximately RMB119,140,000), respectively. In addition, during the year ended 31 December 2008, there was a single customer of the spray paint of mobile handset segment that contributed RMB28,478,000 to the Group’s revenue and represented more than 10 percent of the Group’s revenue.

33. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Board of Directors and authorised for issue on 17 April 2010.