



Accountants &  
business advisers

# **Greater China Precision Components Limited**

Consolidated Financial Statements  
For the year ended 31 December 2011



GREATER CHINA PRECISION COMPONENTS LIMITED  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

	PAGES
Independent auditor's report	1
Consolidated statement of comprehensive income	2
Consolidated statement of financial position	3
Consolidated statement of changes in equity	4
Consolidated statement of cash flows	5
Notes to the consolidated financial statements	6 - 38



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

We have audited the accompanying consolidated 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 2011, 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 information.

**MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

Management of the Group is responsible for the preparation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards, and for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**AUDITOR'S RESPONSIBILITY**

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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 of the financial statements that give a true and fair view 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 2011, 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  
28 April 2012

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GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
Revenue	5	589,607	305,060
Cost of sales		<u>(428,698)</u>	<u>(239,156)</u>
Gross profit		160,909	65,904
Other income	6	7,393	1,130
Net (loss)/gain arising from financial assets at fair value through profit or loss		(8,106)	9,183
Selling and distribution costs		(16,440)	(4,211)
Administrative expenses		(66,855)	(33,599)
Finance costs	7	<u>(638)</u>	<u>(237)</u>
Profit before income tax	8	76,263	38,170
Income tax expense	9(a)	<u>(15,844)</u>	<u>(5,125)</u>
Profit for the year		60,419	33,045
Other comprehensive loss			
Exchange difference arising on translation of foreign operations		<u>(9)</u>	<u>(751)</u>
Total comprehensive income for the year		<u>60,410</u>	<u>32,294</u>
Earnings per share	11		
Basic		<u>RMB2.33</u>	<u>RMB1.26</u>
Diluted		<u>N/A</u>	<u>N/A</u>

The accompanying notes form part of the consolidated financial statements.

GREATER CHINA PRECISION COMPONENTS LIMITED  
CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AT 31 DECEMBER 2011

	Note	2011 RMB'000	2010 RMB'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	254,719	235,018
Land use rights	13	19,425	19,890
Deposits for acquisition of property, plant and equipment		<u>14,509</u>	<u>5,493</u>
		<u>288,653</u>	<u>260,401</u>
<b>CURRENT ASSETS</b>			
Land use rights	13	465	465
Financial assets at fair value through profit or loss	14	10,038	18,705
Inventories	15	134,641	54,947
Trade and notes receivables	16	322,410	135,438
Deposits, prepayments and other receivables	17	11,860	5,594
Loan to a related company	18	10,000	-
Restricted cash	19	28,118	6,941
Cash and bank balances	20	<u>20,652</u>	<u>42,970</u>
		<u>538,184</u>	<u>265,060</u>
<b>TOTAL ASSETS</b>		<u><b>826,837</b></u>	<u><b>525,461</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	21	340,273	340,273
Treasury shares	21(b)	(905)	(464)
Reserves		<u>152,393</u>	<u>99,689</u>
<b>TOTAL EQUITY</b>		<u><b>491,761</b></u>	<u><b>439,498</b></u>
<b>CURRENT LIABILITIES</b>			
Secured bank loans	23	13,993	-
Trade and notes payables	24	230,267	65,190
Accrued expenses and other payables	25	78,050	18,827
Amounts due to directors	26	503	523
Income tax payable		<u>12,263</u>	<u>1,423</u>
<b>TOTAL LIABILITIES</b>		<u><b>335,076</b></u>	<u><b>85,963</b></u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>826,837</b></u>	<u><b>525,461</b></u>

The accompanying notes form part of the consolidated financial statements.

GREATER CHINA PRECISION COMPONENTS LIMITED  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2011

	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
At 1 January 2010	340,273	(2,499)	(56,863)	26,539	(3,743)	112,741	416,448
Total comprehensive income for the year	-	-	-	-	(751)	33,045	32,294
Final dividend for 2009 (Note 10)	-	-	-	-	-	(7,823)	(7,823)
Appropriation to statutory reserves	-	-	-	4,996	-	(4,996)	-
Repurchase of shares (Note 21(b))	-	(1,421)	-	-	-	-	(1,421)
Cancellation of shares (Note 21(b))	-	3,456	-	-	-	(3,456)	-
At 31 December 2010	340,273	(464)	(56,863)	31,535	(4,494)	129,511	439,498
Total comprehensive income for the year	-	-	-	-	(9)	60,419	60,410
Final dividend for 2010 (Note 10)	-	-	-	-	-	(7,146)	(7,146)
Appropriation to statutory reserves	-	-	-	12,336	-	(12,336)	-
Repurchase of shares (Note 21(b))	-	(1,001)	-	-	-	-	(1,001)
Cancellation of shares (Note 21(b))	-	560	-	-	-	(560)	-
At 31 December 2011	<u>340,273</u>	<u>(905)</u>	<u>(56,863)</u>	<u>43,871</u>	<u>(4,503)</u>	<u>169,888</u>	<u>491,761</u>

The accompanying notes form part of the consolidated financial statements.

GREATER CHINA PRECISION COMPONENTS LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011 RMB'000	2010 RMB'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax	76,263	38,170
Adjustments for :-		
Bank interest income	(307)	(289)
Interest income from a related company	(1,116)	-
Interest expenses	638	237
Amortisation of land use rights	465	465
Depreciation	26,325	20,837
Provision/(reversal of provision) for doubtful debts	12,524	(1,161)
Provision for obsolete inventories	16,860	867
Loss/(gain) on disposal of property, plant and equipment	29	(5)
Net loss/(gain) from financial assets at fair value through profit or loss	8,106	(9,183)
Operating profit before working capital changes	139,787	49,938
(Increase)/decrease in inventories	(96,554)	10,135
(Increase)/decrease in trade and notes receivables	(199,012)	6,945
Increase in deposits, prepayments and other receivables	(5,644)	(869)
(Increase)/decrease in restricted cash	(21,177)	8,208
Increase/(decrease) in trade and notes payables	160,101	(18,586)
Increase in accrued expenses and other payables	50,509	73
Increase/(decrease) in amounts due to directors	5	(70)
Cash generated from operations	28,015	55,774
Interest received	307	289
Income tax paid	(5,004)	(5,149)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>23,318</b>	<b>50,914</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Loan to a related company	(10,000)	-
Proceeds from disposal of property, plant and equipment	15	40
Payments to acquire property, plant and equipment	(26,866)	(27,214)
Deposits for acquisition of property, plant and equipment	(14,509)	(5,493)
Proceeds from disposal of financial assets at fair value through profit or loss	-	14,236
Acquisition of financial assets at fair value through profit or loss	-	(2,241)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(51,360)</b>	<b>(20,672)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from bank loans	13,993	-
Decrease in bank advances for discounted notes	-	(8,301)
Repurchase of shares	(1,001)	(1,421)
Dividend paid	(7,146)	(7,823)
Interest paid	(638)	(237)
<b>NET CASH FROM/(USED IN) FINANCING ACTIVITIES</b>	<b>5,208</b>	<b>(17,782)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(22,834)</b>	<b>12,460</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES</b>	<b>516</b>	<b>(11)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR</b>	<b>42,970</b>	<b>30,521</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>	<b>20,652</b>	<b>42,970</b>
<b>ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	20,652	42,970

The accompanying notes form part of the consolidated financial statements.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**1. GENERAL INFORMATION**

Greater China Precision Components Limited (the "Company") is a public listed company and its shares are listed on the Entry Standard Market of the Frankfurt Stock Exchange. The Company and its subsidiaries (collectively the "Group") are engaged in the manufacture and spray paint of mobile handset casings and tablet casings. The registered office of the Company is located at 80 Robinson Road 02-00 Singapore 068898. Its principal place of business is located in Huizhou, Guangdong Province, the People's Republic of China (the "PRC").

Particulars of the Company's subsidiaries at 31 December 2011, all of which are wholly-owned, are as follows :-

<i><b>Name of subsidiaries</b></i>	<i><b>Place of incorporation</b></i>	<i><b>Principal activities</b></i>
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 tablet casings, and provision of 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) Compliance with International Financial Reporting Standards

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board (hereinafter collectively referred to as "International Financial Reporting Standards").

(b) Initial application of International Financial Reporting Standards

In the current year, the Group initially applied the following International Financial Reporting Standards :-

IFRSs (Amendments)	Improvements to IFRSs issued in 2010
IAS 24 (as revised in 2009)	Related Party Disclosures
IAS 32 (Amendments)	Classification of Rights Issues

GREATER CHINA PRECISION COMPONENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

**2. BASIS OF PREPARATION (CONT'D)**

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

IFRIC 14(Amendments)	Prepayments of a Minimum Funding Requirement
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments

The initial application of these International Financial Reporting Standards does not necessitate material changes in the Group's accounting policies or retrospective adjustments of the comparatives presented.

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

The following International Financial Reporting Standards in issue at 31 December 2011 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they are not yet effective for the annual period beginning on 1 January 2011 :-

IFRS 1 (Amendments)	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters <sup>1</sup>
IFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets <sup>1</sup> Disclosures - Offsetting Financial Assets and Financial Liabilities <sup>2</sup> Mandatory Effective Date of IFRS 9 and Transition Disclosures <sup>3</sup>
IFRS 9	Financial Instruments <sup>3</sup>
IFRS 10	Consolidated Financial Statements <sup>2</sup>
IFRS 11	Joint Arrangements <sup>2</sup>
IFRS 12	Disclosure of Interests in Other Entities <sup>2</sup>
IFRS 13	Fair Value Measurement <sup>2</sup>
IAS 1 (Amendments)	Presentation of Items of Other Comprehensive Income <sup>5</sup>
IAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets <sup>4</sup>
IAS 19 (Revised 2011)	Employee Benefits <sup>2</sup>
IAS 27 (Revised 2011)	Separate Financial Statements <sup>2</sup>
IAS 28 (Revised 2011)	Investments in Associates and Joint Ventures <sup>2</sup>
IAS 32 (Amendments)	Offsetting Financial Assets and Financial Liabilities <sup>6</sup>
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 July 2011

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2013

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2015

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2012

<sup>5</sup> Effective for annual periods beginning on or after 1 July 2012

<sup>6</sup> Effective for annual periods beginning on or after 1 January 2014

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**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 present the financial information of the Company and entities controlled by the Company as if they are a single economic entity. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date that control commenced or up to the date that control ceased. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies in line with those used by other members of the Group.

(c) Business combinations

The acquisition of businesses is accounted for using the acquisition method.

The consideration transferred in exchange for subsidiaries acquired in a business combination is calculated as the sum of the acquisition-date fair values of the assets transferred, the liabilities incurred, the equity interests issued and the obligation to pay contingent consideration, except that assets or liabilities included in the consideration transferred that remain within the combined entity after the business combination are measured at their carrying amounts immediately before the acquisition date.

Identifiable assets acquired and the liabilities assumed in the business combination transaction are measured at their acquisition-date fair values.

Non-controlling interest in the acquired subsidiaries at the acquisition date are measured at the non-controlling interest's proportionate share of the subsidiaries' identifiable net assets or at fair value.

Any previously held equity interest in the acquired subsidiaries are re-measured at its acquisition-date fair value.

Goodwill is initially measured as the excess of the aggregate amount of consideration transferred, non-controlling interest and any previously held equity interest in the acquired subsidiaries over the net amount of the identifiable assets acquired and the liabilities assumed at the acquisition date.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(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.

(e) **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 :-

<b>Type</b>	<b>Estimated useful lives</b>	<b>Depreciation rate</b>
Buildings	30 years	3.23%
Leasehold improvements	1 - 5 years	20% - 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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(f) 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.

**(g) 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.

**(h) 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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(h) 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 financial assets at fair value through profit or loss when the financial asset is either held for trading or it is designated as this category.

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 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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(h) 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.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and finished goods, cost comprises direct materials, direct labour, subcontracting fee and an appropriate proportion of overheads. Net realisable value is based on estimated selling price less all further costs expected to be incurred to completion and to make the sale.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(j) 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.

**(k) Financial liabilities**

The Group's financial liabilities include trade and notes payables, bank loans and amounts due to directors.

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***

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

***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 or cancelled or they expire.

**(l) 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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(m) 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.

**(n) 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.

**(o) Leases**

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

**(p) 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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(q) 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).

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.

**(r) 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 income or expense 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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(r) Income tax (cont'd)**

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.

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.

**(s) Related parties**

A person or a close member of that person's family is related to the Group if that person (i) has control or joint control over the Group; (ii) has significant influence over the Group; or (iii) is a member of the key management personnel of the Group or of a parent of the Group.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**(s) Related parties (cont'd)**

An entity is related to the Group if (i) the entity and the Group are members of the same group of companies; (ii) the entity is an associate or a joint venture of either the Group or a member of a group of which the Group is a member; (iii) the Group is an associate or a joint venture of either the entity or a member of a group of which the entity is a member; (iv) the entity and the Group are joint ventures of the same third party; (v) the entity is a joint venture of a third entity and the Group is an associate of that third entity; (vi) the Group is a joint venture of a third entity and the entity is an associate of that third entity; (vii) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; (viii) the entity is controlled or jointly controlled by a person related to the Group or a close member of that person's family; (ix) a person who has control or joint control over the Group has significant influence over the entity; or (x) a person who has control or joint control over the Group is a member of the key management personnel of the entity (or of a parent of 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.

**(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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**4. CRITICAL ACCOUNTING ESTIMATION (CONT'D)**

(b) 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 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. Additional specific provision is made against inventories to the extent which they are considered to be obsolete.

**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 :-

	2011 RMB'000	2010 RMB'000
Manufacture of mobile handset casings	332,392	304,283
Spray paint of mobile handset casings	-	777
Manufacture of tablet casings	<u>257,215</u>	<u>-</u>
	<u>589,607</u>	<u>305,060</u>

GREATER CHINA PRECISION COMPONENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

<b>6. OTHER INCOME</b>	<b>2011</b>	<b>2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Bank interest income	307	289
Interest income from a related company	1,116	-
Gain on disposal of raw materials and scrapped materials	5,912	-
Others	58	841
	<u>7,393</u>	<u>1,130</u>
<b>7. FINANCE COSTS</b>	<b>2011</b>	<b>2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Interest on bank loans	252	-
Discounted notes interest	386	237
	<u>638</u>	<u>237</u>
<b>8. PROFIT BEFORE INCOME TAX</b>	<b>2011</b>	<b>2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Profit before income tax is arrived at after charging/(crediting) :-		
Employee benefits expense		
- Salaries, wages and other benefits	110,316	56,711
- Pension scheme costs	1,153	838
	111,469	57,549
Amortisation of land use rights	465	465
Depreciation	26,325	20,837
Exchange loss	3,063	1,835
Minimum lease payments under operating leases for factory premises and quarters	1,079	1,296
Provision/(reversal of provision) for doubtful debts	12,524	(1,161)
Provision for obsolete inventories	16,860	867
Loss/(gain) on disposal of property, plant and equipment	29	(5)

GREATER CHINA PRECISION COMPONENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

**9. INCOME TAX**

- (a) The Company is subject to Singapore income tax at tax rate of 17%. It has no chargeable income for income tax purposes for the year.

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

Pacific Ocean is subject to Hong Kong profits tax at tax rate of 16.5% on the estimated assessable profit for the year. It has no chargeable income for income tax purposes 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 ("Tax Holiday"). Huizhou Green's Tax Holiday commenced in year 2007.

Huizhou Green was subject to the EIT rate of 12.5% (2010 : 12.5%) for the year

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

	2011 RMB'000	2010 RMB'000
Provision for PRC EIT	15,786	4,757
Under-provision in respect of prior year	<u>58</u>	<u>368</u>
	<u><b>15,844</b></u>	<u><b>5,125</b></u>

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 :-

	2011 RMB'000	2010 RMB'000
Profit before income tax	<u>76,263</u>	<u>38,170</u>
Income tax based on the PRC EIT rate of 25%	19,066	9,542
Effect of non-deductible expenses	7,837	1,300
Effect of non-taxable income	(2)	(1,773)
Effect of Tax Holiday	(11,115)	(4,327)
Under-provision in respect of prior year	58	368
Others	<u>-</u>	<u>15</u>
Income tax expense	<u><b>15,844</b></u>	<u><b>5,125</b></u>

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**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.

At 31 December 2011, 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 RMB154,570,000 (2010 : RMB93,830,000) associated with Huizhou Green's undistributed earnings.

**10. DIVIDEND**

A final dividend of RMB0.30 per share totalling RMB7,146,000 for the year ended 31 December 2010 was declared and approved during the year.

Subsequent to the reporting period, the directors proposed a final dividend of RMB0.38 per ordinary share for the year ended 31 December 2011. This dividend has not been recognised as a liability at 31 December 2011.

**11. EARNINGS PER SHARE**

The calculation of basic earnings per share is based on the profit for the year of approximately RMB60,419,000 (2010 : RMB33,045,000) and the weighted average number of ordinary shares in issue during the year of 25,903,493 (2010 : 26,302,752).

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.

GREATER CHINA PRECISION COMPONENTS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

**12. PROPERTY, PLANT AND EQUIPMENT**

	<i>Construction in progress RMB'000</i>	<i>Buildings RMB'000</i>	<i>Leasehold improvements RMB'000</i>	<i>Motor vehicles RMB'000</i>	<i>Furniture, fixture and equipment RMB'000</i>	<i>Plant and machinery RMB'000</i>	<i>Total RMB'000</i>
Cost :-							
At 1 January 2010	42,488	59,511	1,326	4,683	14,120	125,189	247,317
Exchange difference	-	-	-	(16)	-	-	(16)
Additions	19,081	1,769	-	-	8,225	21,273	50,348
Disposals/write off	-	-	-	-	(134)	-	(134)
Reclassification	(60,827)	47,738	-	-	12,400	689	-
At 31 December 2010	742	109,018	1,326	4,667	34,611	147,151	297,515
Accumulated depreciation :-							
At 1 January 2010	-	-	1,326	2,970	4,564	32,903	41,763
Exchange difference	-	-	-	(4)	-	-	(4)
Charge for the year	-	2,998	-	479	3,371	13,989	20,837
Written back on disposals	-	-	-	-	(99)	-	(99)
At 31 December 2010	-	2,998	1,326	3,445	7,836	46,892	62,497
Net book value :-							
At 31 December 2010	742	106,020	-	1,222	26,775	100,259	235,018
Cost :-							
At 1 January 2011	742	109,018	1,326	4,667	34,611	147,151	297,515
Exchange difference	-	-	-	(15)	-	-	(15)
Additions	30	-	2,895	508	10,714	32,572	46,719
Disposals/write off	-	(640)	-	-	-	(170)	(810)
Reclassification	-	(7,598)	-	-	7,598	-	-
At 31 December 2011	772	100,780	4,221	5,160	52,923	179,553	343,409
Accumulated depreciation :-							
At 1 January 2011	-	2,998	1,326	3,445	7,836	46,892	62,497
Exchange difference	-	-	-	(6)	-	-	(6)
Charge for the year	-	3,259	495	448	6,176	15,947	26,325
Written off on disposals	-	-	-	-	-	(126)	(126)
At 31 December 2011	-	6,257	1,821	3,887	14,012	62,713	88,690
Net book value :-							
At 31 December 2011	772	94,523	2,400	1,273	38,911	116,840	254,719

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**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 :-

	2011 RMB'000	2010 RMB'000
Cost	22,112	22,112
Accumulated amortisation	<u>(2,222)</u>	<u>(1,757)</u>
Net book value at 31 December	<u>19,890</u>	<u>20,355</u>
Representing :-		
Net book value at 1 January	20,355	20,820
Amortisation	<u>(465)</u>	<u>(465)</u>
Net book value at 31 December	19,890	20,355
Current portion	<u>(465)</u>	<u>(465)</u>
Non-current portion	<u>19,425</u>	<u>19,890</u>

At 31 December 2010, land use right with net book value of approximately RMB6,488,000 was pledged to the bank to secure the notes payables (Note 24) issued by the Group.

**14. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	2011 RMB'000	2010 RMB'000
Listed equity securities in the United States, at market value	<u>10,038</u>	<u>18,705</u>

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 at 31 December 2011.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

15. INVENTORIES	2011 RMB'000	2010 RMB'000
Raw materials	23,241	12,582
Work in process	19,329	11,464
Finished goods	<u>111,823</u>	<u>33,793</u>
	154,393	57,839
Provision for obsolete inventories	<u>(19,752)</u>	<u>(2,892)</u>
	<u>134,641</u>	<u>54,947</u>

The analysis of amount of inventories recognised as an expense is as follows :-

	2011 RMB'000	2010 RMB'000
Carrying amount of inventories sold	411,838	238,289
Provision of obsolete inventories	<u>16,860</u>	<u>867</u>
	<u>428,698</u>	<u>239,156</u>

16. TRADE AND NOTES RECEIVABLES	2011 RMB'000	2010 RMB'000
Trade receivables	267,916	43,099
Provision for doubtful debts	<u>(14,193)</u>	<u>(2,153)</u>
	253,723	40,946
Notes receivables	<u>68,687</u>	<u>94,492</u>
	<u>322,410</u>	<u>135,438</u>

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**16. TRADE AND NOTES RECEIVABLES (CONT'D)**

Notes :-

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

	<b>2011</b> <b>RMB'000</b>	<b>2010</b> <b>RMB'000</b>
Within 90 days	<b>250,312</b>	35,925
Between 91 days to 365 days	<b>15,423</b>	4,892
Over 365 days	<u><b>2,181</b></u>	<u>2,282</u>
	<u><b>267,916</b></u>	<u>43,099</u>

At 31 December 2011, trade receivables of approximately RMB12,619,000 (2010 : RMB9,655,000) 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 :-

	<b>2011</b> <b>RMB'000</b>	<b>2010</b> <b>RMB'000</b>
At 1 January	<b>2,153</b>	3,330
Provision/(reversal) for the year	<u><b>12,040</b></u>	<u>(1,177)</u>
At 31 December	<u><b>14,193</b></u>	<u>2,153</u>

- (b) At 31 December 2011, trade receivable of approximately RMB8,000,000 (2010 : RMBNil) were pledged to the bank to secure the Group's short-term bank loans (Note 23).
- (c) At 31 December 2011, notes receivables of approximately RMB10,000,000 (2010 : RMB6,709,000) were pledged to the bank to secure the notes payables (Note 24) issued by the Group.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

17. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	2011 RMB'000	2010 RMB'000
Other receivables	1,957	2,386
Provision for doubtful debts	<u>(557)</u>	<u>(73)</u>
	1,400	2,313
Value-added tax recoverable	5,594	-
Deposits and prepayments	<u>4,866</u>	<u>3,281</u>
	<u>11,860</u>	<u>5,594</u>

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

	2011 RMB'000	2010 RMB'000
At 1 January	73	57
Provision for the year	<u>484</u>	<u>16</u>
At 31 December	<u>557</u>	<u>73</u>

Included in other receivable was an amount of RMB1,116,000 representing interest income receivable from loan to a related company (Note 18).

**18. LOAN TO A RELATED COMPANY**

The loan is interest-bearing at 13% per annum, unsecured and repayable within one year. The directors, Messrs. Wu Baofa and Wu Baoyu, control the related company.

**19. RESTRICTED CASH**

The restricted cash was pledged to the banks to secure the Group's short-term bank loans (Note 23) and notes payables (Note 24).

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

20. CASH AND BANK BALANCES	2011 RMB'000	2010 RMB'000
Cash at banks and on hand	20,652	20,970
Short-term deposit	<u>-</u>	<u>22,000</u>
	<u>20,652</u>	<u>42,970</u>

At 31 December 2011, 60% of the cash and bank balances was denominated in RMB, 39% was denominated in United States dollars and the remaining 1% was denominated in other foreign currencies. Conversion of the balances denominated 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
At 1 January 2010	26,600,000	340,273
Cancellation of repurchased shares	<u>(500,000)</u>	<u>-</u>
At 31 December 2010	26,100,000	340,273
Cancellation of repurchased shares (Note 21(b))	<u>(100,000)</u>	<u>-</u>
<b>At 31 December 2011</b>	<u><b>26,000,000</b></u>	<u><b>340,273</b></u>

Notes :-

- (a) The Company has no authorised share capital.
- (b) During the year ended 31 December 2011, the Company completed the buy-back of 168,385 (2010 : 216,620) ordinary shares under its share buy back program. The total consideration for shares bought back on the market is approximately RMB1,001,000 (2010 : RMB1,421,000), being an average market price, including incidental costs, of RMB5.94 (2010 : RMB6.56) per share. 100,000 (2010 : 129,500) of these shares were immediately cancelled upon the repurchase and the aggregate consideration paid of approximately RMB560,000 (2010 : RMB957,000) was deducted from retained earnings. The remaining 68,385 repurchased shares, which were held by the Company at 31 December 2011 and with aggregate consideration paid of approximately RMB441,000, were classified as a deduction from equity under "Treasury shares".

The 155,505 (2010 : 87,120) treasury shares held by the Company at 31 December 2011, with aggregate consideration paid of approximately RMB905,000 (2010 : RMB464,000), were classified as a deduction from equity under "Treasury shares".

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**22. RESERVES**

(a) Merger reserve

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

(b) Statutory reserves

	<i>General reserve fund RMB'000</i>	<i>Employees' bonus and welfare fund RMB'000</i>	<i>Total RMB'000</i>
At 1 January 2010	17,693	8,846	26,539
Appropriation from retained earnings	<u>3,330</u>	<u>1,666</u>	<u>4,996</u>
At 31 December 2010	21,023	10,512	31,535
Appropriation from retained earnings	<u>8,224</u>	<u>4,112</u>	<u>12,336</u>
<b>At 31 December 2011</b>	<b><u>29,247</u></b>	<b><u>14,624</u></b>	<b><u>43,871</u></b>

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

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.

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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**23. SECURED BANK LOANS**

The bank loans are mainly denominated in RMB and repayable within one year.

Bank loan of RMB8,000,000 is interest-bearing at 7.32% per annum and secured by the Group's trade receivables (Note 16(b)). The remaining loans of RMB5,993,000 carry interest at 2.8% per annum and are secured by the Group's restricted cash of RMB5,997,000 (Note 19).

**24. TRADE AND NOTES PAYABLES**

	<b>2011</b> <b>RMB'000</b>	<b>2010</b> <b>RMB'000</b>
Trade payables	188,219	44,533
Notes payables	<u>42,048</u>	<u>20,657</u>
	<u><b>230,267</b></u>	<u><b>65,190</b></u>

Notes :-

- (a) The notes payables were secured by the following assets of the Group :-

	<b>2011</b> <b>RMB'000</b>	<b>2010</b> <b>RMB'000</b>
Land use rights (Note 13)	-	6,488
Notes receivables (Note 16(c))	10,000	6,709
Restricted cash (Note 19)	<u>22,121</u>	<u>6,941</u>
	<u><b>32,121</b></u>	<u><b>20,138</b></u>

The notes payables were also guaranteed by the directors Messrs. Wu Baofa and Wu Baoyu, who did not receive any compensation for acting as guarantors for the Group.

- (b) At 31 December 2011, approximately RMB3,066,000 (2010 : RMB1,265,000) of the notes payables were issued by the Group for the acquisition of property, plant and equipment.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

25. ACCRUED EXPENSES AND OTHER PAYABLES	2011 RMB'000	2010 RMB'000
Salaries and bonus payable	23,634	5,328
Payable for acquisition of property, plant and equipment	17,487	8,743
Accruals	1,510	1,269
Receipts in advance from customers	25,453	170
Other payables	9,856	900
Value-added tax payable	-	2,138
Other taxes payable	110	279
	<u>78,050</u>	<u>18,827</u>

26. AMOUNTS DUE TO DIRECTORS

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

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 representing contributions paid and payable by the Group to the scheme amounted to approximately RMB1,153,000 (2010 : RMB838,000) 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 PSS is adopted by the Company in general meeting, provided always that the PSS may continue beyond the above stipulated period with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required. Notwithstanding the expiry or termination of the PSS, any awards made to participants prior to such expiry or termination will continue to remain valid.

No awards were granted, forfeited, cancelled or exercised during the years ended 31 December 2011 and 2010.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**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.

Carrying amounts of financial assets at 31 December 2011, which represented the amounts of maximum exposure to credit risk, are as follows :-

	2011 RMB'000	2010 RMB'000
Trade and notes receivables	322,410	135,438
Deposit and other receivables	6,994	2,313
Loan to a related company	10,000	-
Restricted cash	28,118	6,941
Cash and bank balances	<u>20,652</u>	<u>42,970</u>
	<u><b>388,174</b></u>	<u><b>187,662</b></u>

In order to minimise the credit risk, individual credit evaluations are performed on all customers requiring credit over a certain amount and on major other debtors and the related company. 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 the related company focus on their current ability to pay. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentrations of credit risk with exposure spread over a large number of customers and counter parties.

The credit risk on liquid funds is limited because the counter parties are various banks and financial institutes with good credit ratings.

(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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**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 at 31 December 2011 based on contractual undiscounted payments.

	2011			2010		
	Contractual undiscounted cash flows			Contractual undiscounted cash flows		
	Carrying amount RMB'000	Within 1 year or on demand		Carrying amount RMB'000	Within 1 year or on demand	
		Total RMB'000	demand RMB'000		Total RMB'000	demand RMB'000
Secured bank loans	13,993	14,340	14,340	-	-	-
Trade and notes payables	230,267	230,267	230,267	65,190	65,190	65,190
Accrued expenses and other payables	52,597	52,597	52,597	18,657	18,657	18,657
Amounts due to directors	503	503	503	523	523	523
	<u>297,360</u>	<u>297,707</u>	<u>297,707</u>	<u>84,370</u>	<u>84,370</u>	<u>84,370</u>

(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) at 31 December 2011 exposed to currency risk are as follows :-

	2011 RMB'000	2010 RMB'000
Financial assets at fair value through profit or loss	10,038	18,705
Trade and notes receivables	207,402	2,676
Other receivables	-	1,255
Cash and bank balances	8,118	5,516
Secured bank loans	(5,993)	-
Trade and notes payables	(55,100)	-
Accrued expenses and other payables	(89)	-
Net financial assets exposed to currency risk	<u>164,376</u>	<u>28,152</u>

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**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 :-

	<b>2011</b> <b>RMB'000</b>	<b>2010</b> <b>RMB'000</b>
Euro	<b>27</b>	5,789
United States dollars	<b>164,303</b>	22,078
Hong Kong dollars	<b>46</b>	285
	<b><u>164,376</u></b>	<b><u>28,152</u></b>

Should RMB at 31 December 2011 fluctuate by 10% against all the foreign currencies, the carrying amount of the Group's net financial assets exposed to currency risk at 31 December 2011 determined in accordance with IFRS 21 "The Effects of Changes in Foreign Exchange Rates" would increase/decrease, and hence the equity at 31 December 2011 would increase/decrease, by approximately RMB15,398,000 (2010 : RMB2,107,000) and the profit for the year then ended would increase/decrease by RMB1,040,000 (2010 : RMB708,000).

(d) Interest rate risk

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

The interest rate profile of the Group's financial assets and financial liabilities at 31 December 2011 is as follows :-

	<b>Effective interest rate</b>		<b>2011</b> <b>RMB'000</b>	<b>2010</b> <b>RMB'000</b>
	<b>2011</b> <b>%</b>	<b>2010</b> <b>%</b>		
Fixed rate assets/(liabilities)				
Short-term deposit	-	1.35	-	22,000
Loan to a related company	13.0	-	<b>10,000</b>	-
Secured bank loans	2.8 to 7.32	-	<b><u>(13,993)</u></b>	<b><u>-</u></b>

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

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

(d) Interest rate risk (cont'd)

	<i>Effective interest rate</i>		<i>2011</i>	<i>2010</i>
	<i>2011</i>	<i>2010</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>%</i>	<i>%</i>		
Variable rate assets				
Bank balances	0.5	0.36	<b>20,652</b>	20,948
Restricted cash	1.89	1.89	<b>28,118</b>	6,941

Should the market interest rate at 31 December 2011 fluctuate by 10 basis points with all other variables held constant, there would be no significant change to the Group's 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 RMB10,038,000 (2010 : RMB18,705,000) are listed in the United States and are exposed to market price risk. Should the market price of these investments at 31 December 2011 fluctuate by 10%, their carrying amount would increase/decrease, and hence the equity at 31 December 2011 would increase/decrease, by approximately RMB19,000 (2010 : RMB57,000) and profit for the year then ended would increase/decrease by RMB985,000 (2010 : RMB1,814,000).

(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

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

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

(f) Fair value (cont'd)

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

At 31 December 2011, the Group's financial assets at fair value through profit or loss of RMB10,038,000 (2010 : RMB18,705,000) were carried at fair value which was based on Level 1 of the fair value hierarchy.

During the years ended 31 December 2011 and 2010, 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 at 31 December 2011 and 2010.

(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 at 31 December 2011 was as follows :-

	2011 RMB'000	2010 RMB'000
Total debt	335,076	85,963
Less: Cash and cash equivalents	<u>20,652</u>	<u>42,970</u>
Net debt	<u>314,424</u>	<u>42,993</u>
Total equity	<u>491,761</u>	<u>439,498</u>
Debt-to-equity capital ratio	<u>0.64</u>	<u>0.10</u>

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**30. RELATED PARTY TRANSACTIONS**

- (a) Apart from the information as disclosed in notes 17, 18, 24 and 26 to the consolidated financial statements, the Group had the following transaction with a related company during the year.

	<b>2011</b> <b>RMB'000</b>	<b>2010</b> <b>RMB'000</b>
Loan interest income	<u><b>1,116</b></u>	<u><b>-</b></u>

The interest income was charged at 13% (Note 18) per annum on the outstanding principal balance.

(b) Key management compensation	<b>2011</b> <b>RMB'000</b>	<b>2010</b> <b>RMB'000</b>
Salaries, wages and other benefits	<u><b>2,523</b></u>	<u><b>1,045</b></u>

**31. COMMITMENTS**

- (a) At 31 December 2011, the Company had capital commitments in respect of acquisition of property, plant and equipment, which were contracted but not provided for, of approximately RMB6,150,000 (2010 : RMB3,253,000).
- (b) At 31 December 2011, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows :-

	<b>2011</b> <b>RMB'000</b>	<b>2010</b> <b>RMB'000</b>
Within one year	<b>704</b>	654
Two to five years	<u><b>-</b></u>	<u><b>428</b></u>
	<u><b>704</b></u>	<u><b>1,082</b></u>

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.

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**32. SEGMENT INFORMATION**

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

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.

Business segments

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

	<i>Manufacture of mobile handset casings</i>		<i>Spray paint of mobile handset casings</i>		<i>Manufacture of tablet casings</i>		<i>Unallocated</i>		<i>Total</i>	
	2011	2010	2011	2010	2011	2010	2011	2010	2011	2010
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	332,392	304,283	-	777	257,215	-	-	-	589,607	305,060
Segment profits	10,471	28,813	-	74	73,121	-	(8,114)	9,231	75,478	38,118
Interest income									1,423	289
Finance costs									(638)	(237)
Profit before income tax									76,263	38,170
Income tax expense									(15,844)	(5,125)
Profit for the year									60,419	33,045
Depreciation and amortisation	15,103	21,248	-	54	11,687	-	-	-	26,790	21,302
Segment assets	460,455	505,279	-	1,290	356,314	-	10,068	18,892	826,837	525,461
Segment liabilities	188,899	85,642	-	219	146,177	-	-	102	335,076	85,963
Capital expenditure incurred during the year	31,421	30,337	-	77	24,314	-	-	-	55,735	30,414

GREATER CHINA PRECISION COMPONENTS LIMITED  
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2011

**32. SEGMENT INFORMATION (CONT'D)**

Business segments (cont'd)

During the year ended 31 December 2011, there was a single customer (2010 : three 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 this customer (2010 : three customers) amounted to approximately RMB153,784,000 (2010 : approximately RMB132,361,000, RMB47,687,000 and RMB33,541,000). In addition, during the year ended 31 December 2011, there was a single customer of the manufacture of tablet casings segment that individually contributed more than 10% to the Group's revenue. The revenue from transactions with this customer amounted to approximately RMB245,802,000.

Geographical segments

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

	<b>PRC</b>		<b>Taiwan</b>		<b>Others</b>		<b>Total</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>	<b>RMB'000</b>
External sales	<b>516,535</b>	301,907	<b>71,659</b>	-	<b>1,413</b>	3,153	<b>589,607</b>	305,060
Segment assets	<b>815,974</b>	504,344	-	-	<b>10,863</b>	21,117	<b>826,837</b>	525,461
Capital expenditure incurred during the year	<b>55,735</b>	30,414	-	-	-	-	<b>55,735</b>	30,414

**33. APPROVAL OF FINANCIAL STATEMENTS**

The financial statements were approved by the Board of Directors and authorised for issue on 28 April 2012.