

# EYANG

## EYANG HOLDINGS (GROUP) CO., LIMITED

### 宇陽控股(集團)有限公司

*(incorporated in the Cayman Islands with limited liability)*

(Stock Code: 117)

#### ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2007

The board of directors (the “Board”) of EYANG Holdings (Group) Co., Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 December 2007, together with the comparative results for the previous year as follows:

#### CONSOLIDATED FINANCIAL STATEMENTS

##### Consolidated Income Statement

*Year ended 31 December 2007*

	<i>Notes</i>	<b>2007</b>	2006
		<b><i>RMB'000</i></b>	<i>RMB'000</i>
<b>REVENUE</b>	2	<b>834,608</b>	681,617
Cost of sales		<u>(701,641)</u>	<u>(575,459)</u>
Gross profit		<b>132,967</b>	106,158
Other income and gains	2	<b>3,554</b>	4,048
Selling and distribution costs		<b>(21,921)</b>	(22,624)
Administrative expenses		<b>(18,575)</b>	(17,629)
Research and development costs		<b>(11,759)</b>	(9,745)
Other expenses		<b>(6,599)</b>	(6,745)
Finance costs		<u>(3,211)</u>	<u>(1,779)</u>
<b>PROFIT BEFORE TAX</b>		<b>74,456</b>	51,684
Tax	3	<u>(6,023)</u>	<u>(3,545)</u>
<b>PROFIT FOR THE YEAR</b>		<b><u>68,433</u></b>	<b><u>48,139</u></b>
Attributable to:			
Equity holders of the parent		<b>68,433</b>	48,176
Minority interests		<u>—</u>	<u>(37)</u>
		<b><u>68,433</u></b>	<b><u>48,139</u></b>
<b>DIVIDENDS</b>	4		
Proposed final		<u>20,275</u>	<u>—</u>
<b>EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>			
Basic	5	<b><u>22.6 cents</u></b>	<b><u>16.1 cents</u></b>

**Consolidated Balance Sheet**

31 December 2007

	<i>Notes</i>	<b>2007</b> <b>RMB'000</b>	2006 <i>RMB'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>171,490</b>	142,421
Investment properties		<b>3,700</b>	482
Land lease prepayments		<b>10,708</b>	10,958
Deferred tax assets		<b>1,807</b>	1,672
		<hr/>	<hr/>
Total non-current assets		<b>187,705</b>	155,533
		<hr/>	<hr/>
<b>CURRENT ASSETS</b>			
Inventories		<b>75,467</b>	90,895
Trade and bills receivables	6	<b>117,284</b>	52,643
Prepayments, deposits and other receivables		<b>13,548</b>	8,195
Due from a shareholder		—	2,784
Due from a minority shareholder of a subsidiary		—	767
Due from a related party		—	379
Cash and bank balances		<b>188,812</b>	97,875
Restricted bank deposits		<b>25,986</b>	29,165
Pledged bank deposits		<b>14,300</b>	—
		<hr/>	<hr/>
Total current assets		<b>435,397</b>	282,703
		<hr/>	<hr/>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	7	<b>138,219</b>	114,588
Deferred income, accruals and other payables		<b>34,617</b>	37,608
Tax payable		<b>7,546</b>	7,150
Provisions		<b>4,609</b>	9,087
Interest-bearing bank loans		<b>40,479</b>	34,586
Dividends payable		<b>171</b>	—
Due to related parties		<b>1,391</b>	1,833
		<hr/>	<hr/>
Total current liabilities		<b>227,032</b>	204,852
		<hr/>	<hr/>
<b>NET CURRENT ASSETS</b>		<b>208,365</b>	77,851
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>396,070</b>	233,384
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Deferred income		<b>7,995</b>	7,746
Interest-bearing bank loans		—	514
		<hr/>	<hr/>
Total non-current liabilities		<b>7,995</b>	8,260
		<hr/>	<hr/>
Net assets		<b>388,075</b>	225,124
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	<b>2007</b> <b>RMB'000</b>	2006 <i>RMB'000</i>
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Issued share capital		3,773	48
Reserves		364,027	224,899
Proposed final dividend		20,275	—
		<u>388,075</u>	<u>224,947</u>
<b>Minority interests</b>		<u>—</u>	<u>177</u>
Total equity		<u><b>388,075</b></u>	<u>225,124</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1.1 BASIS OF PREPARATION

The Company was incorporated in the Cayman Islands on 6 March 2007 as an exempted company with limited liability in the Cayman Islands under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised).

Pursuant to a reorganisation of the Group completed on 5 December 2007 (the “Reorganisation”) to rationalise the structure of the Group in preparation for the public listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Share Offer”), the Company became the ultimate holding company of the companies now comprising the Group. The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 21 December 2007 (the “Listing Date”).

Details of the Reorganisation are set out in the prospectus dated 11 December 2007 (the “Prospectus”).

The consolidated financial statements have been prepared in accordance with the principles of merger accounting as a result of the Group Reorganisation. On this basis, the Company has been treated as the ultimate holding company of its subsidiaries for the financial years presented rather than from their respective date of acquisition. Accordingly, the consolidated results for the year ended 31 December 2006 and 2007 include the results of the Company and its subsidiaries with effect from 1 January 2006 or since their respective dates of incorporation, whichever is a shorter period. The comparative consolidated balance sheet as at 31 December 2006 has been prepared as if the existing Group had been in place at that date.

Comparative amounts have not been presented for the Company’s balance sheet and the notes thereto because the Company was not in existence on 31 December 2006.

In the opinion of the directors, the consolidated financial statements prepared on the above basis present more fairly the results and state of affairs of the Group as a whole.

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”), which comprise standards and interpretations approved by the International Accounting Standards Board (the “IASB”), and the International Accounting Standards and Standing Interpretations Committee Interpretations approved by the International Accounting Standards Committee that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company’s subsidiaries. Acquisitions of minority interests are accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

## 1.2 IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted the following new and revised IFRSs for the first time for the current year’s financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised standards and interpretations has had no material effect on these financial statements.

IFRS 7	Financial Instruments: Disclosures
IAS 1 Amendment	Capital Disclosures
IFRIC 8	Scope of IFRS 2
IFRIC 9	Reassessment of Embedded Derivatives
IFRIC 10	Interim Financial Reporting and Impairment

The principal effects of adopting these new and revised IFRSs are as follows:

### (a) **IFRS 7 *Financial Instruments: Disclosures***

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Group’s financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements. While there has been no effect on the financial position or results of operations of the Group, comparative information has been included/revised where appropriate.

### (b) **Amendment to IAS 1 *Presentation of Financial Statements* — *Capital Disclosures***

This amendment requires the Group to make disclosures that enable users of the financial statements to evaluate the Group’s objectives, policies and processes for managing capital.

### (c) **IFRIC 8 *Scope of IFRS 2***

This interpretation requires IFRS 2 to be applied to any arrangement in which the Group cannot identify specifically some of the goods or services received, for which equity instruments are granted or liabilities (based on a value of the Group’s equity instruments) are incurred by the Group for a consideration, and which appears to be less than the fair value of the equity instruments granted or liabilities incurred. The interpretation has had no effect on these financial statements.

(d) **IFRIC 9 Reassessment of Embedded Derivatives**

This interpretation requires that the date to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative is the date that the Group first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Group has no embedded derivative requiring separation from the host contract, the interpretation has had no effect on these financial statements.

(e) **IFRIC 10 Interim Financial Reporting and Impairment**

The Group has adopted this interpretation as of 1 January 2007, which requires that an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument classified as available-for-sale or a financial asset carried at cost is not subsequently reversed. As the Group has no impairment losses previously reversed in respect of such assets, the interpretation has had no impact on the financial position or results of operations of the Group.

2. **REVENUE, OTHER INCOME AND GAINS**

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

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

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
<b>Revenue</b>		
Sale of multi-layer ceramic chips ("MLCC")	221,545	182,402
Sale of mobile phones	609,774	484,428
Sale of mobile phone components	3,289	14,787
	<u>834,608</u>	<u>681,617</u>
<b>Other income</b>		
Bank interest income	956	730
Sale of materials	958	912
Amortisation of deferred income	1,087	820
Rental income	503	504
Others	50	837
	<u>3,554</u>	<u>3,803</u>
<b>Gains</b>		
Gain on disposal of available-for-sale investments	—	185
Others	—	60
	<u>—</u>	<u>245</u>
	<u><u>3,554</u></u>	<u><u>4,048</u></u>

### 3. TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The Company's subsidiaries, Shenzhen Eyang Technology Development Co., Ltd. ("SZ Eyang") (深圳市宇陽科技發展有限公司) and Shenzhen Eycom Technology Co., Ltd. ("SZ Eycom") (深圳市億通科技有限公司) are located in the Shenzhen Special Economic Zone and are therefore subject to an income tax rate of 15%. In accordance with the relevant income tax laws and regulations of the People's Republic of China ("PRC") for manufacturing enterprises, SZ Eyang and SZ Eycom were exempted from corporate income tax ("CIT") for two years commencing from their first year with assessable profits after deducting the tax losses brought forward, and were entitled to a 50% tax exemption for the next three years.

The year ended 31 December 2003 was SZ Eyang's first profit-making year and was the first year of its tax holiday. Accordingly, SZ Eyang was subject to CIT at a rate of 7.5% for the year ended 31 December 2007.

The year ended 31 December 2006 was SZ Eycom's first profit-making year and was the first year of its tax holiday. Accordingly, SZ Eycom was exempted from CIT for the year ended 31 December 2007.

The branch of SZ Eyang, the branch of SZ Eycom and Dongguan Eyang Technology Development Co., Ltd. ("DG Eyang") (東莞市宇陽科技發展有限公司) are located in Dongguan and are subject to CIT at a rate of 33% on their assessable profits for the year ended 31 December 2007.

	2007 <i>RMB'000</i>	2006 <i>RMB'000</i>
Group:		
Current — PRC		
Charge for the year	<b>6,158</b>	4,614
Deferred	<b>(135)</b>	(1,069)
Total tax charge for the year	<b><u>6,023</u></b>	<b><u>3,545</u></b>

A reconciliation of the income tax expense applicable to profit before tax at the statutory income tax rate of the PRC to the income tax expense at the Group's effective tax rate is as follows:

	2007		2006	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Profit before tax	<u>74,456</u>		<u>51,684</u>	
Tax at the statutory tax rate	24,570	33	17,056	33
Tax effect of:				
Lower tax rates for specific districts or countries	(10,909)	(15)	(10,389)	(20)
Tax incentives	(9,608)	(13)	(6,980)	(13)
Effect on opening deferred tax of change in tax rates	7	—	—	—
Income not subject to tax	(163)	—	(123)	—
Expenses not deductible for tax	719	1	737	1
Adjustments in respect of current tax	—	—	3,801	7
Tax losses utilised from previous periods	—	—	(6)	—
Others	<u>1,407</u>	<u>2</u>	<u>(551)</u>	<u>(1)</u>
Tax charge at the Group's effective tax rate	<u>6,023</u>	<u>8</u>	<u>3,545</u>	<u>7</u>

#### 4. DIVIDENDS

	2007	2006
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends declared by the subsidiaries	4,500	70,160
Proposed final RMB5 cents (2006: Nil) per share	<u>20,275</u>	<u>—</u>
	<u>24,775</u>	<u>70,160</u>

The dividends declared by the subsidiaries represents the dividends declared and paid by the Company's subsidiaries to their then shareholders during the years ended 31 December 2007 and 2006 before the Reorganisation.

The proposed final dividend of the year is subject to the approval of Company's shareholders at the forthcoming annual general meeting.

## 5. EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings per share is based on the profit for the year attributable to equity holders of the parent of RMB68,433,000 (2006: RMB48,176,000) and the weighted average of 303,014,000 (2006: 300,000,000) ordinary shares deemed to have been in issue during the year.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2006 includes the pro forma issued share capital of the Company of 300,000,000 shares, comprising:

- (i) the 5,000,000 shares issued as consideration for the acquisition of Eyang Management Co., Ltd. (“Eyang Management”) on 5 December 2007; and
- (ii) the capitalisation issue of 295,000,000 shares.

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2007 includes the weighted average of 3,014,000 shares issued upon the listing of the Company’s shares on the Stock Exchange on 21 December 2007 in addition to the aforementioned 300,000,000 ordinary shares.

There was no potential dilutive ordinary share in existence for the years ended 31 December 2007 and 2006, accordingly, no diluted earnings per share amount has been presented.

## 6. TRADE AND BILLS RECEIVABLES

	<b>Group</b>	
	<b>2007</b>	2006
	<b><i>RMB’000</i></b>	<i>RMB’000</i>
Trade receivables	<b>120,341</b>	45,362
Impairment	<b>(3,057)</b>	(3,145)
	<b>117,284</b>	42,217
Bills receivable	—	10,426
	<b>117,284</b>	52,643

The Group’s trading terms with its customers are mainly on credit. The credit period for MLCC and mobile phone customers is generally for two to three months and one month, respectively. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise its credit risk. Overdue balances are reviewed regularly by management. Trade receivables are non-interest-bearing.

The bills receivable will all be mature within 180 days.

An aged analysis of the trade receivables as at the balance sheet date, based on the invoice date, is as follows:

	<b>2007</b> <i>RMB'000</i>	2006 <i>RMB'000</i>
Within 90 days	<b>108,194</b>	34,985
91 to 180 days	<b>9,067</b>	7,059
181 to 360 days	—	1,694
1 to 2 years	<b>1,544</b>	1,624
2 to 3 years	<b>1,536</b>	—
	<u><b>120,341</b></u>	<u>45,362</u>

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

	<b>2007</b> <i>RMB'000</i>	2006 <i>RMB'000</i>
At 1 January	<b>3,145</b>	1,566
Impairment losses recognised/(reversed)	<b>(88)</b>	1,579
At 31 December	<u><b>3,057</b></u>	<u>3,145</u>

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB3,057,000 (2006: RMB3,145,000) with a carrying amount of RMB3,057,000 (2006: RMB3,145,000). The individually impaired trade receivables relate to customers that were in financial difficulties and are not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

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

	<b>Group</b>	
	<b>2007</b> <i>RMB'000</i>	2006 <i>RMB'000</i>
Neither past due nor impaired	<b>98,597</b>	28,083
Less than 90 days past due	<b>18,664</b>	6,898
91 to 180 days past due	—	7,059
181 to 360 days past due	—	119
1 to 2 years past due	<b>23</b>	58
	<u><b>117,284</b></u>	<u>42,217</u>

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

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

## 7. TRADE AND BILLS PAYABLES

An aged analysis of the trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	<b>Group</b>	
	<b>2007</b>	2006
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Within 90 days	<b>118,670</b>	93,340
91 to 180 days	<b>1,518</b>	4,294
181 to 360 days	<b>186</b>	2,182
1 to 2 years	<b>68</b>	772
	<hr/>	<hr/>
	<b>120,442</b>	100,588
Bills payable	<b>17,777</b>	14,000
	<hr/>	<hr/>
	<b>138,219</b>	114,588
	<hr/> <hr/>	<hr/> <hr/>

The trade payables are non-interest-bearing and are normally settled on 30 to 90 days terms.

The bills payable will all be mature within 180 days.

## **BUSINESS REVIEW**

The US sub-prime mortgage crisis has caused a decline in global economy. As the major end customers of the Group's MLCC business are located in Europe and the US, its business growth is under great pressure. Particularly in the fourth quarter of 2007, some customers have demanded to postpone delivery for their orders placed due to its deferral plans. Meanwhile, the accelerated appreciation of RMB against US\$ and HK\$ will have certain impact on the operation of MLCC business of the Company. However, leverage on the increased core competitiveness of the Company due to the speeding up of technology innovation, expansion of sales and marketing network and enhancement of management, the MLCC business experienced growth during the year under review and the gross profit margin of MLCC business is comparable to that of 2006. The market expects that the appreciation of RMB against US\$ and HK\$ in 2008 may grow significantly as compared to last year. This will pose greater pressure on and more challenges as well as opportunities to the MLCC business.

Mobile phone business is another principal line of business of the Group. Its sales are mainly made in the PRC. In 2007, the mobile phone market faces fierce competition with plunging industry profit margin. An increasing number of domestic and overseas mobile phone manufacturers have exited or plan to exit the market. The Group adheres to its operating principle of strengthening its position in the 3rd tier and 4th tier markets and penetrating into the 2nd tier market and core cities in phases. In addition, the enhancement of management and the continued efforts for the provision of value-added services to customers in various aspects have helped it to become a quality mobile phones enterprise in the PRC. With the performance of sales and marketing network as well as customer services, the Group has enjoyed a growth in mobile phone business last year.

The Group had also been engaged in the sale and manufacture of mobile phone component business. As the shift of the business focus of the Group in the mobile phone industry since 2004, the Group has focused on the mobile phone business and the said mobile phone component business was already ceased in 2007.

## **PROSPECTS**

As the principal businesses of the Company are located in the PRC, the macro-economic landscape of the PRC will have a greater impact on the operating results of the Company. Going forward, appreciation of RMB against US\$ is expected to accelerate significantly. Meanwhile, as it is expected that inflation will further accelerate, while the general direction for currency policies and financial policies remains unchanged, this will pose challenges as well as opportunities to the operations of the Company. As the Company engages in the high and new-tech industry as encouraged by the state policies, which is not the key focus of the state's macro-economic control policies, it should enjoy comparative advantages over its industry peers.

Despite the revenue of MLCC is mainly denominated in US\$ or HK\$ and exports exceed imports, whilst the revenue from mobile phone business is mainly denominated in RMB and imports exceed exports, the total imports are greater than total exports after consolidation. The exchange appreciation of RMB against US\$ and HK\$ will have certain impact on the Company. The management of the Company will endeavor to control it within a certain range.

Rising interest rates will increase the financing costs of the majority of enterprises. The Company is no exception. However, the management of the Company will endeavor to control the impact of rising interest rates on the Company utilizing the settlement features of the Company.

The implementation of new labor laws also has an impact on the labor costs of the majority of enterprises. However, as the Company strictly complies with labor laws in respect of employment of the Company, the new labor laws have minimal impact on the Company.

Going forward, the Group faces more opportunities than challenges, the Company will try to further enlarge its market share.

## **FINANCIAL REVIEW**

### **MLCC business**

MLCC is a type of capacitor which is a basic electronic component that has been widely used in information technology, communication and consumer electronic products. In 2007, the revenue of the MLCC business of the Group increased by approximately 21.5% to approximately RMB221.5 million, whereas the gross profit grew by approximately 19.8% to approximately RMB63.8 million respectively. The gross profit margin was approximately 28.8%, which is comparable to that of the last year.

The increase in the revenue generated from the MLCC business in 2007 was mainly attributable to the Group's expansion of its MLCC production capacity in 2007 in order to cope with the increasing demand for the MLCC products. The Group produced and sold more MLCC products accordingly.

Compared to 2006, the Group's gross profit arising from MLCC business increased in 2007, which was mainly attributable to the increase in the relevant revenue. The gross profit margin for 2007 was comparable to that for 2006.

### **Mobile phone related business**

#### *Mobile phone*

In 2007, the revenue of the mobile phone business of Group grew by 25.9% to approximately RMB609.8 million and the relevant gross profit grew by 32.5% to approximately RMB68.8 million respectively. The gross profit margin was 11.3%, representing an increase of approximately 0.6% as compared to that of 2006.

The increase in the revenue generated from mobile phone business in 2007 was mainly attributable to well-received market response to a series of new mobile phones launched, driving the sales of mobile phones of the Group for the second half of 2007.

Compared to 2006, the Group's gross profit arising from the mobile phone business increased in 2007, which was mainly attributable to the increase in the revenue generated from the mobile phone business of the Group. The gross profit margin of the mobile phone business in 2007 was slightly higher as compared to that of 2006. That was principally because there was a relatively higher pricing of several new mobile phone models with PDA functions launched in 2007 as a result of new functions and outlook where such models were well received by the market in 2007.

#### *Mobile phone components*

As a result of the shift of the business focus of the Group in the mobile phone industry since 2004 and the cessation of mobile phone component business in 2007, the Group recorded a revenue from the sale of mobile phone components of approximately RMB3.3 million.

## **Profit for the year**

Principally due to the increase in the revenue generated from the MLCC business and mobile phone related business as detailed above, the profit attributable to the shareholders of the Company for the year ended 31 December 2007 was approximately RMB68.4 million, representing an increase of approximately 42.2% as compared with that in 2006; the earnings per share increased to approximately RMB0.226, representing an increase of approximately 40.4% as compared with that in 2006.

## **Gearing ratio**

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt is calculated as the sum of bank loans, trade and bills payables, and other payables less cash and cash equivalents. Capital represents equity attributable to the equity holders of the parent. As at 31 December 2006 and 2007, the gearing ratio were approximately nil and 20%, respectively.

## **Property, plant and equipment**

The fixed assets of the Group mainly comprised of buildings, plant and machinery, office and other equipment, motor vehicles and construction in progress. The net book value of the Group's fixed assets as at 31 December 2006 and 2007 were approximately RMB142.4 million and RMB171.5 million respectively. The increase in the property, plant and equipment of the Group during the said period was mainly due to the increase in the purchase of relevant machinery and production facilities for the development and expansion of its production capacity for its MLCC and mobile phone products as well as the construction of the headquarters in Shenzhen Hi-Tech Industrial Park.

## **Inventories**

The inventories of the Group mainly comprised of raw materials for the production of the MLCC, mobile phone components and mobile phones, work in progress and the relevant finished products. As at 31 December 2006 and 2007, the Group recorded net book value of inventories of approximately RMB90.9 million and RMB75.5 million respectively. The decrease in the inventory balance of the Group was mainly due to the stringent inventory control by the Group for managing risk of falling inventory price during the period, especially the inventory of mobile phones.

## **Trade and bills receivables**

The trade and bills receivables of the Group were mainly due from the Group's customers of the Group's MLCC and mobile phone products. As at 31 December 2006 and 2007, the Group recorded a net book value of trade and bills receivables of approximately RMB52.6 million and RMB117.3 million respectively. The increase in the balance of trade and bills receivables was mainly due to the growth of sales revenue and extension of settlement period.

## **Trade and bills payables**

The trade and bills payables of the Group were mainly due to the suppliers of the Group. As at 31 December 2006 and 2007, the Group recorded a net book value of trade and bills payables of approximately RMB114.6 million and RMB138.2 million respectively. The increase in the trade and bills payables of the Group as at 31 December 2007 was mainly because the Group had purchased more raw materials for its MLCC and mobile phone production to satisfy the expansion of production capacity in order to cope with the increasing demand for the MLCC and mobile phone products produced by the Group.

## **Tax**

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the year.

The Company's subsidiaries, SZ Eyang and SZ Eycom are located in the Shenzhen Special Economic Zone and are therefore subject to an income tax rate of 15%. In accordance with the relevant income tax laws and regulations of the PRC for manufacturing enterprises, SZ Eyang and SZ Eycom were exempted from corporate income tax ("CIT") for two years commencing from their first year with assessable profits after deducting the tax losses brought forward, and were entitled to a 50% tax exemption for the next three years.

The year ended 31 December 2003 was SZ Eyang's first profit-making year and was the first year of its tax holiday. Accordingly, SZ Eyang was subject to CIT at a rate of 7.5% for the year ended 31 December 2007.

The year ended 31 December 2006 was SZ Eycom's first profit-making year and was the first year of its tax holiday. Accordingly, SZ Eycom was exempted from CIT for the year ended 31 December 2007.

The branch of SZ Eyang, the branch of SZ Eycom and DG Eyang are located in Dongguan and are subject to CIT at a rate of 33% on their assessable profits for the year ended 31 December 2007.

## **Effective tax rate**

The effective tax rates of the Group for the two years ended 31 December 2007 were approximately 7% and 8% respectively.

## **Borrowings**

As at 31 December 2007, the Group had outstanding borrowings of approximately RMB40.5 million, all of which were secured bank loans. All the outstanding borrowings are repayable within one year.

## **Securities and guarantee**

As at 31 December 2007, the Group's securities and guarantee were secured by certain property, plant and equipment with net book value of approximately RMB54.6 million.

## **Contingent liabilities**

As at 31 December 2007, the Group had no material contingent liabilities.

## **Commitments**

As at 31 December 2007, the capital commitments of the Group were approximately RMB25.2 million. The capital commitments of the Company increased from approximately RMB14.7 million in 2006 to approximately RMB25.2 million in 2007. Such increase was because the Group recorded a capital commitment of approximately RMB11.2 million which was the balance of cost to be paid for the construction of the headquarters and approximately RMB14.0 million which should be paid for the purchase of MLCC production facilities.

Save as disclosed above, and apart from trade and bills payables and intra-group liabilities, the Group did not have any other outstanding indebtedness, nor any outstanding loan capital issued and not redeemed or agreed to be issued, bank overdrafts, loans or similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance leases or hire purchases commitments, guarantees or other contingent liabilities outstanding as at 31 December 2007.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Net current asset

As at 31 December 2007, the Group had net current assets of approximately RMB227.0 million, including current assets of approximately RMB435.4 million and current liabilities of approximately RMB208.4 million.

<b>Cash flow</b>	<b>For the year ended 31 December</b>	
	<b>2007</b>	<b>2006</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Net cash inflow from operating activities	<b>60,540</b>	83,120
Net cash outflow from investing activities	<b>(52,262)</b>	(19,394)
Net cash inflow/(outflow) from financing activities	<b>76,895</b>	(6,005)
Cash and cash equivalents at the end of year	<b>210,334</b>	125,130

For the year ended 31 December 2007, the Group recorded a net cash inflow from operating activities of approximately RMB60.5 million. The decrease as compared to last year was mainly due to longer credit period granted to customers which resulted in the increase in the trade and bills receivables.

Net cash outflow from investing activities increased from approximately RMB19.4 million for the year ended 31 December 2006 to approximately RMB52.3 million for the year ended 31 December 2007. The increase was mainly attributable to the purchase of facilities and construction of headquarters.

Net cash inflow from financing activities amounted to approximately RMB76.9 million for the year ended 31 December 2007, which was principally due to the cash inflow from the proceeds derived from issue of new shares of the Company through the Share Offer.

### Banking facilities

As at 31 December 2007, the Group had aggregate banking facilities of approximately RMB80 million, of which approximately RMB40 million had not been utilized.

### Foreign exchange

In 2007, approximately 30.52% of the Group's sales were denominated in US dollars and Hong Kong dollars. The majority of the Group's cost of sales and capital expenditures were denominated in RMB. The Group did not enter into any hedging policy against fluctuations of the exchange rates from RMB against Hong Kong dollars.

### STAFF

As at 31 December 2007, the Group had a total of 1,960 staff, whose remuneration and benefits are determined based on market rate, state policies and individual performance.

## **CORPORATE GOVERNANCE**

The Company is committed to ensuring a high standard of corporate governance in the interests of the shareholders and devotes considerable effort to maintaining high level of business ethics and corporate governance practices.

The Company endeavours to comply with the Code of Corporate Governance Practices as set out in Appendix 14 of the Listing Rules (the “CG Code”). The Company considers that it has complied with the CG Code during the year except for those as mentioned below. The Board continues to review and update the practices from time to time to ensure compliance with the legal and commercial standards.

The Company does not have a separate Chairman and Chief Executive Officer and Mr. Chen Weirong, currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive Officer in the same person provides the Group with strong and consistent leadership, allows for more effective planning and execution of long-term business strategies and enhances the efficiency of decision-making process in response to the changing environment. The Board also believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of management. The Board will continually review the effectiveness of the Group’s corporate governance structure to assess whether any changes are necessary.

## **AUDIT COMMITTEE**

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chu Kin Wang, Paleus (Chairman of the Audit Committee), Mr. Pan Wei and Mr. Liu Huanbin.

The main duties of the Committee are to review the financial information of the Company and oversee the Company’s financial reporting system and internal control procedures.

As at the date of this announcement, the Audit Committee met twice and reviewed the financial results and reports, financial reporting and compliance procedures, report of internal audit department on the Company’s internal control and risk management review and processes and the re-appointment of the external auditors. The Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors. The Group’s annual results for the year ended 31 December 2007 had been reviewed by the Audit Committee.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company’s ability to continue as a going concern.

## **REMUNERATION COMMITTEE**

The Remuneration Committee was set up on 30 November 2007, constituted by two executive Directors, namely Mr. Chen Weirong and Ms. Shuang Mei and three independent non-executive Directors, namely, Mr. Liu Huanbin (Chairman of the Committee), Mr. Pan Wei and Mr. Chu Kin Wong, Peleus.

The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the Directors and senior management. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration packages.

The Remuneration Committee reviewed the remuneration of the Directors and senior management with reference to the skill, knowledge, experience and the tasks assigned and also to the individual performance and the overall profitability of the Company. In determining the remuneration package, the Remuneration Committee also obtained reports, surveys and relevant information from external source for the competitive level of remuneration and market trend for the Directors and senior management. The Remuneration Committee regards that the current Directors' fee to the Directors and remuneration to the senior management for their duties and responsibilities undertaken are commensurate with the market.

## **DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted a code of conduct governing securities transactions by directors on terms no less exacting than that required under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 of the Listing Rules. Having made specific enquiry with all Directors, since the Listing Date, each of them confirms that he/she has complied in full with the Model Code regarding Directors' securities transactions for the year ended 31 December 2007.

## **PURCHASE, SALE OR REDEMPTION OF SHARES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed shares of the Company any time for the period from the Listing Date to 31 December 2007.

## **DIVIDENDS**

The Board recommended the payment of a final dividend of RMB0.05 (equivalent to approximately HK0.053) per share for the year ended 31 December 2007.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from 20 May 2008, Tuesday to 26 May 2008, Monday (both days inclusive), during which period no transfer of shares will be effected.

In order to qualify for the proposed final dividend for the year ended 31 December 2007 and attending and voting at the forthcoming annual general meeting, all share transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, for registration not later than 4:30 p.m. on 19 May 2008, Monday.

## **PUBLICATION OF INFORMATION ON THE WEBSITES OF STOCK EXCHANGE AND THE COMPANY**

This results announcement is published on the Stock Exchange's website (<http://www.hkex.com.hk>) and the Company's website (<http://www.szeyang.com>) respectively. The relevant annual report of the Company will be despatched to the shareholders of the Company and available on the same websites in due course.

## 2007 ANNUAL GENERAL MEETING

It is proposed that the 2007 Annual General Meeting will be held on Monday, 26 May 2008. A notice convening the 2007 Annual General Meeting will be published in the newspapers and will be despatched to the shareholders of the Company accordingly.

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

Hong Kong, 23 April 2008

*As at the date of this announcement, the Board comprised Mr. Chen Weirong, Ms. Shuang Mei and Mr. Liao Jie as executive Directors, Mr. Cheng Wusheng, Mr. Li Heqiu, Mr. Zhang Zhilin and Mr. Chen Hao as non-executive Directors and Mr. Pan Wei, Mr. Liu Huanbin and Mr. Chu Kin Wang, Peleus as independent non-executive Directors.*

*For the purpose of this announcement, unless otherwise indicated, conversion of HK\$ to RMB are calculated at the approximate exchange rate of HK\$1.00 to RMB0.9364. This exchange rate is adopted for the purpose of illustration only and do not constitute a representation that any amounts have been, could have been, or may be, exchanged at this or any other rate at all.*