

# **Greater China Precision Components Limited**

Condensed Consolidated Financial Statements  
For the Six Months ended 30 June 2010

**Greater China Precision Components Limited**  
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**For the Six Months ended 30 June 2010**

**Contents**

	Pages
Condensed Consolidated Statement of Comprehensive Income	1
Condensed Consolidated Statement of Financial Position	2
Condensed Consolidated Statement of Changes in Equity	3
Condensed Consolidated Statement of Cash Flows	4
Notes to the Condensed Consolidated Financial Statements	5 - 13

**Greater China Precision Components Limited**  
**Condensed Consolidated Statement of Comprehensive Income**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

	Note	<b><i>Six months ended 30 June</i></b>	
		<b><i>2010</i></b> <b><i>RMB'000</i></b>	<b><i>2009</i></b> <b><i>RMB'000</i></b>
Revenue	21	<b>150,291</b>	92,034
Cost of sales		<b><u>(118,377)</u></b>	<b><u>(65,845)</u></b>
Gross profit		<b>31,914</b>	26,189
Other income and gains	4	<b>5,913</b>	2,617
Selling and distribution costs		<b>(2,710)</b>	(2,252)
Administrative expenses		<b>(19,528)</b>	(11,131)
Finance costs		<b><u>(75)</u></b>	<b><u>(190)</u></b>
Profit before income tax	5	<b>15,514</b>	15,233
Income tax expenses	6	<b><u>(3,542)</u></b>	<b><u>(1,917)</u></b>
Profit for the period		<b>11,972</b>	13,316
Other comprehensive loss			
Exchange difference arising on translation of foreign operations		<b><u>(585)</u></b>	<b><u>(122)</u></b>
Total comprehensive income for the period		<b><u>11,387</u></b>	<b><u>13,194</u></b>
Earnings per share	8		
Basic		<b>0.45</b>	0.50
Diluted		<b><u>N/A</u></b>	<b><u>N/A</u></b>

**Greater China Precision Components Limited**  
**Condensed Consolidated Statement of Financial Position**  
**(Unaudited)**  
**At 30 June 2010**

	<i>Note</i>	<b>30 June 2010</b> <b>RMB'000</b>	<i>31 December</i> <i>2009</i> <i>RMB'000</i>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	<b>226,953</b>	205,554
Land use rights		<b>20,122</b>	20,355
Deposits for acquisition of property, plant and equipment		<b>7,573</b>	25,427
		<u><b>254,648</b></u>	<u>251,336</u>
<b>CURRENT ASSETS</b>			
Land use rights		<b>465</b>	465
Financial assets at fair value through profit or loss	10	<b>15,315</b>	22,241
Inventories		<b>68,127</b>	65,949
Trade and notes receivables	11	<b>152,246</b>	141,206
Deposits, prepayments and other receivables		<b>3,909</b>	4,694
Income tax recoverable		<b>15</b>	15
Restricted cash	12	<b>5,535</b>	15,149
Cash and bank balances	13	<b>36,635</b>	30,521
		<u><b>282,247</b></u>	<u>280,240</u>
<b>TOTAL ASSETS</b>		<u><b>536,895</b></u>	<u>531,576</u>
<b>EQUITY AND LIABILITIES</b>			
<b>CAPITAL AND RESERVES</b>			
Share capital	14	<b>340,273</b>	340,273
Treasury shares		<b>(168)</b>	(2,499)
Reserves		<b>78,782</b>	78,674
<b>TOTAL EQUITY</b>		<u><b>418,887</b></u>	<u>416,448</u>
<b>CURRENT LIABILITIES</b>			
Bank advances for discounted notes		<b>-</b>	8,301
Trade and notes payables	15	<b>89,891</b>	85,153
Accrued expenses and other payables	16	<b>17,458</b>	19,646
Dividend payable		<b>7,823</b>	-
Amounts due to directors		<b>564</b>	564
Income tax payable		<b>2,272</b>	1,464
<b>TOTAL LIABILITIES</b>		<u><b>118,008</b></u>	<u>115,128</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u><b>536,895</b></u>	<u>531,576</u>

**Greater China Precision Components Limited**  
**Condensed Consolidated Statement of Changes in Equity**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

	<i>Share capital RMB'000</i>	<i>Treasury shares RMB'000</i>	<i>Merger reserve RMB'000 (Note)</i>	<i>Statutory reserves RMB'000</i>	<i>Exchange reserve RMB'000</i>	<i>Retained earnings RMB'000</i>	<i>Total RMB'000</i>
As at 1 January 2009	340,273	-	(56,863)	21,582	(3,360)	86,492	388,124
Total comprehensive income for the period	-	-	-	-	(122)	13,316	13,194
Repurchase of shares	-	(1,813)	-	-	-	-	(1,813)
Cancellation of shares	-	553	-	-	-	(553)	-
As at 30 June 2009	<u>340,273</u>	<u>(1,260)</u>	<u>(56,863)</u>	<u>21,582</u>	<u>(3,482)</u>	<u>99,255</u>	<u>399,505</u>
As at 1 January 2010	340,273	(2,499)	(56,863)	26,539	(3,743)	112,741	416,448
Total comprehensive income for the period	-	-	-	-	(585)	11,972	11,387
Dividend (Note 7)	-	-	-	-	-	(7,823)	(7,823)
Repurchase of shares	-	(1,125)	-	-	-	-	(1,125)
Cancellation of shares	-	3,456	-	-	-	(3,456)	-
<b>As at 30 June 2010</b>	<u><b>340,273</b></u>	<u><b>(168)</b></u>	<u><b>(56,863)</b></u>	<u><b>26,539</b></u>	<u><b>(4,328)</b></u>	<u><b>113,434</b></u>	<u><b>418,887</b></u>

Note : Merger reserve arises from the acquisition of two subsidiaries by the Company.

**Greater China Precision Components Limited**  
**Condensed Consolidated Statement of Cash Flows**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

	<b><i>Six months ended 30 June</i></b>	
	<b><i>2010</i></b>	<b><i>2009</i></b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Operating activities</b>		
Cash from operations	26,909	53,597
Interest received	167	1,385
Income tax paid	<u>(2,728)</u>	<u>(1,155)</u>
<b>Net cash from operating activities</b>	<b><u>24,348</u></b>	<b><u>53,827</u></b>
<b>Investing activities</b>		
Proceeds from disposal of financial assets at fair value through profit or loss	14,306	-
Acquisition of financial assets at fair value through profit or loss	(2,260)	-
Payments to acquire property, plant and equipment	(12,757)	(54,098)
Deposits for acquisitions of property, plant and equipment	(7,573)	-
Proceeds from investment in a structured deposit	-	80,000
Interest received from investment in a structured deposit	<u>-</u>	<u>818</u>
<b>Net cash (used in)/from investing activities</b>	<b><u>(8,284)</u></b>	<b><u>26,720</u></b>
<b>Financing activities</b>		
Repurchase of shares	(1,125)	(1,813)
Repayment of bank advances for discounted bills	(8,301)	-
Interest paid	(75)	(190)
Repayment of loan from a related company	-	(15,000)
Decrease in amount due to a related company	-	(14,666)
Dividend paid	<u>-</u>	<u>(5,500)</u>
<b>Net cash used in financing activities</b>	<b><u>(9,501)</u></b>	<b><u>(37,169)</u></b>
<b>Net increase in cash and cash equivalents</b>	<b>6,563</b>	<b>43,378</b>
<b>Effect of foreign currency translation on cash and cash equivalents</b>	<b>(449)</b>	<b>(160)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b><u>30,521</u></b>	<b><u>56,351</u></b>
<b>Cash and cash equivalents at end of period</b>	<b><u>36,635</u></b>	<b><u>99,569</u></b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b><u>36,635</u></b>	<b><u>99,569</u></b>

**Greater China Precision Components Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

**1. General Information**

Greater China Precision Components Limited (the “Company”) is currently a public listed company and its shares are listed in the Entry Market of the Frankfurt Stock Exchange. The Company and its subsidiaries (collectively the “Group”) are engaged in the manufacture and spray paint of mobile handset casings. The principal place of business is located in Huizhou, Guangdong Province, the People’s Republic of China (the “PRC”).

Particular of the Company’s subsidiaries as at 30 June 2010, 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”) (Formerly known as Huizhou Green Plastic Electronic Co., Ltd.)	The PRC	Manufacture and spray paint of mobile handset casings and provision of handset assembling services

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

**2. Basis of Preparation**

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 “Interim Financial Reporting”.

**3. Significant Accounting Policies**

- (a) The condensed 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.

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2009 except for those described in note 3(b) to the condensed consolidated financial statements.

**Greater China Precision Components Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

**3. Significant Accounting Policies (Cont'd)**

- (b) In the current period, the Group has applied for the first time the following new and revised IFRSs, which are relevant to and effective for the Group's financial statements for the annual financial period beginning on 1 January 2010.

IFRS 3 (Revised)	Business Combinations
IAS 27 (Revised)	Consolidated and Separate Financial Statements
Improvements to IFRSs 2009	

The Group applies IFRS 3 (Revised) prospectively to business combinations for which the acquisition date is on or after 1 January 2010. The requirements in IAS 27 (Revised) in relation to accounting for changes in ownership interests in a subsidiary after control is obtained and for loss of control of a subsidiary are also applied prospectively by the Group on or after 1 January 2010.

As there was no transaction during the current period of which IFRS 3 (Revised) and IAS 27 (Revised) are applicable, the application of IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs has no effect on the unaudited condensed consolidated financial statements of the Group for the current or prior accounting periods.

The Group's results in future periods may be affected by future transactions of which IFRS 3 (Revised), IAS 27 (Revised) and the consequential amendments to other IFRSs are applicable.

The application of the other new and revised IFRSs had no effect on the condensed consolidated financial statements of the Group for the current or prior accounting periods.

- (c) The Group has not early applied the new and revised standards, amendments or interpretations that have been issued but are not yet effective. The directors of the Company anticipate that the application of these new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

**4. Other Income and Gains**

	<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>
	<i>RMB'000</i>	<i>RMB'000</i>
Bank interest income	167	357
Net gain arising from financial assets at fair value through profit or loss	5,258	-
Interest income from investment in structured deposits	-	1,028
Others	488	1,232
	<u>5,913</u>	<u>2,617</u>

**Greater China Precision Components Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

**5. Profit before Income Tax**

	<b><i>Six months ended 30 June</i></b>	
	<b><i>2010</i></b>	<b><i>2009</i></b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Profit before income tax is arrived at after charging/(crediting) :-		
Amortisation of land use rights	<b>233</b>	233
Depreciation	<b>9,878</b>	5,799
Provision/(reversal of provision) for doubtful debts	<b>469</b>	(189)
Provision for obsolete inventories	<b>1,561</b>	-

**6. Income Tax**

The Company is subject to Singapore income tax at tax rate of 17%. It had no chargeable income for income tax purposes for the reporting periods.

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

Pacific Ocean is subject to Hong Kong profits tax at tax rate of 16.5% on the estimated assessable profit for the reporting periods. It had no chargeable income for income tax purposes for the reporting periods.

Huizhou Green is subject to PRC enterprise income tax ("EIT") at tax rate of 25%. As approved by the PRC tax authority, Huizhou Green is entitled to two years' tax exemption, from the first profit making calendar year of operations after offset of accumulated taxable losses, followed by 50% tax reduction for the immediate next three calendar years. Huizhou Green's tax holiday commenced in year 2007.

The income tax expense in the condensed consolidated statement of comprehensive income represents provision for PRC EIT.

As at 30 June 2010, 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 RMB81,000,000 (31 December 2009 : RMB69,402,000) associated with Huizhou Green's undistributed earnings.

**7. Dividend**

A final dividend of RMB0.30 per share totalling RMB7,823,000 for the year ended 31 December 2009 was declared and approved during the current reporting period.

The directors do not recommend the payment of any dividend for the period ended 30 June 2010.

**Greater China Precision Components Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

**8. Earnings Per Share**

The calculation of basic earnings per share is based on profit for the period of RMB11,972,000 (2009 : RMB13,316,000) and the weighted average number of ordinary shares in issue during the period of 26,357,667 (2009 : 26,547,838).

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

**9. 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, fixtures and equipment RMB'000</i>	<i>Plant and machinery RMB'000</i>	<i>Total RMB'000</i>
<b>Cost :-</b>							
As at 1 January 2010	42,488	59,511	1,326	4,683	14,120	125,189	247,317
Exchange difference	-	-	-	(3)	-	-	(3)
Additions	10,215	-	-	-	5,851	15,213	31,279
Transfer	(52,703)	38,487	-	-	1,741	12,475	-
<b>As at 30 June 2010</b>	<b>-</b>	<b>97,998</b>	<b>1,326</b>	<b>4,680</b>	<b>21,712</b>	<b>152,877</b>	<b>278,593</b>
<b>Accumulated depreciation :-</b>							
As at 1 January 2010	-	-	1,326	2,970	4,564	32,903	41,763
Exchange difference	-	-	-	(1)	-	-	(1)
Charge for the period	-	1,633	-	249	1,310	6,686	9,878
<b>As at 30 June 2010</b>	<b>-</b>	<b>1,633</b>	<b>1,326</b>	<b>3,218</b>	<b>5,874</b>	<b>39,589</b>	<b>51,640</b>
<b>Net book value :-</b>							
<b>As at 30 June 2010</b>	<b>-</b>	<b>96,365</b>	<b>-</b>	<b>1,462</b>	<b>15,838</b>	<b>113,288</b>	<b>226,953</b>
As at 31 December 2009	42,488	59,511	-	1,713	9,556	92,286	205,554

**10. Financial Assets at Fair Value through Profit or Loss**

	<b>30 June 2010</b>	<i>31 December</i>
	<b>RMB'000</b>	<i>2009</i>
		<i>RMB'000</i>
Listed equity securities in the United States, at market value	<u><b>15,315</b></u>	<u>22,241</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 as at 30 June 2010.

**Greater China Precision Components Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

<b>11. Trade and Notes Receivables</b>	<b>30 June 2010</b>	<i>31 December</i>
	<b>RMB'000</b>	<i>2009</i>
		<i>RMB'000</i>
Trade receivables	<b>75,800</b>	61,984
Provision for doubtful debts	<b>(3,790)</b>	(3,330)
	<b>72,010</b>	58,654
Notes receivables	<b>80,236</b>	82,552
	<b>152,246</b>	141,206

**12. Restricted Cash**

The restricted cash was pledged to banks to secure the notes payables (Note 15) issued by the Group.

**13. Cash and Bank Balances**

As at 30 June 2010, 43% of the cash and bank balances was denominated in RMB, 38% was denominated in Euro and the remaining 19% was denominated in other foreign currencies. Conversion of the balances in RMB into foreign currencies is subject to the rules and regulations on foreign exchange controls promulgated by the PRC government.

**14. Share Capital**

Ordinary shares with no par value

Issued and fully paid :-	<b>Number of shares</b>	<b>RMB'000</b>
As at 1 January 2010	26,600,000	340,273
Cancellation of repurchased shares	(500,000)	-
<b>As at 30 June 2010</b>	<b>26,100,000</b>	<b>340,273</b>

The Company has no authorised share capital.

During the current reporting period, the Company completed the buy-back of 153,955 ordinary shares under its share buy back program. The total consideration for shares bought back from the market is approximately RMB1,125,000, being an average market price, including incidental costs, of RMB7.31 per share. 129,500 of these shares were immediately cancelled upon the repurchase and the aggregate consideration paid of approximately RMB957,000 was deducted from retained earnings. The remaining 24,455 repurchased shares, which were held by the Company as at 30 June 2010 and with aggregate consideration paid of approximately RMB168,000, were classified as a deduction from equity under "Treasury shares".

**Greater China Precision Components Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

**14. Share Capital (Cont'd)**

In addition, 370,500 treasury shares with aggregate consideration paid of approximately RMB2,499,000 were cancelled during the current reporting period. An amount equivalent to the consideration paid was deducted against retained earnings.

**15. Trade and Notes Payables**

	<b>30 June 2010</b>	<i>31 December</i>
	<b>RMB'000</b>	<i>2009</i>
		<i>RMB'000</i>
Trade payables	<b>59,959</b>	64,896
Notes payables	<b>29,932</b>	20,257
	<b><u>89,891</u></b>	<u>85,153</u>

The notes payables were secured by the Group's restricted cash (Note 12).

As at 31 December 2009, there were notes payables of RMB2,641,000 issued by the Group for the acquisition of property, plant and equipment.

**16. Accrued Expenses and Other Payables**

Included in other payables was an amount of approximately RMB5,396,000 (31 December 2009 : RMB9,660,000) representing the unpaid portion for acquisition of property, plant and equipment.

**17. Retirement Benefit Costs**

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

Pension scheme costs charged to profit or loss represent contributions paid and payable by the Group to the scheme and amounted to approximately RMB499,000 for the six months ended 30 June 2010 (2009 : RMB292,000).

**Greater China Precision Components Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

**18. 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 current and preceding reporting periods.

**19. Related Party Transactions**

(a) Apart from the transactions disclosed elsewhere in the financial statements, the Group had no other material transactions with its related party during the period. During the period ended 30 June 2009, the Group purchased materials and moulds of approximately RMB42,000 and paid loan interest of approximately RMB105,000 to a related company in which directors Messrs. Wu Baofa and Wu Baoyu had control.

(b) Key management personnel compensation	<b><i>Six months ended 30 June</i></b>	
	<b><i>2010</i></b>	<b><i>2009</i></b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Salaries, wages and other benefits	<b><u>276</u></b>	<b><u>276</u></b>

**20. Commitments**

(a) As at 30 June 2010, the Company had capital commitments in respect of acquisition of property, plant and equipment, which were contracted but not provided for, of approximately RMB20,342,000 (31 December 2009 : RMB30,444,000).

**Greater China Precision Components Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

**20. Commitments (Cont'd)**

- (b) As at 30 June 2010, the Group had outstanding commitments under non-cancellable operating leases which fall due as follows :-

	<b>30 June 2010</b>	<i>31 December</i>
	<b>RMB'000</b>	<i>2009</i>
		<i>RMB'000</i>
Within one year	<b>604</b>	704
Two to five years	<b>730</b>	1,033
	<b><u>1,334</u></b>	<u>1,737</u>

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

**21. Segment Reporting**

The following tables present revenue and results for the Group's reportable segments.

	<i>Manufacture of mobile handset casings</i>		<i>Spray paint of mobile handset casings</i>		<i>Corporate</i>		<i>Total</i>	
	<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>		<i>Six months ended 30 June</i>	
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	<b>149,571</b>	89,071	<b>720</b>	2,963	-	-	<b>150,291</b>	92,034
Other revenue	<b>537</b>	401	<b>3</b>	13	<b>5,373</b>	818	<b>5,913</b>	1,232
	<b><u>150,108</u></b>	<u>89,472</u>	<b><u>723</u></b>	<u>2,976</u>	<b><u>5,373</u></b>	<u>818</u>	<b><u>156,204</u></b>	<u>93,266</u>
Segment results	<b>10,001</b>	13,658	<b>48</b>	454	<b>5,373</b>	(74)	<b>15,422</b>	14,038
Interest income							<b>167</b>	1,385
Finance costs							<b>(75)</b>	(190)
Profit before income tax							<b><u>15,514</u></b>	<u>15,233</u>

All of the segment revenue reported above is from external customers.

Segment results represents the profit earned by each segment without allocation of interest income and finance costs. This is the measure reported to chief operating decision makers for the purposes of resource allocation and assessment of segment performance.

**Greater China Precision Components Limited**  
**Notes to the Condensed Consolidated Financial Statements**  
**(Unaudited)**  
**For the Six Months ended 30 June 2010**

**21. Segment Reporting (Cont'd)**

The following is an analysis of the Group's assets by reporting segments :-

	<i>Manufacture of mobile handset casings</i>		<i>Spray paint of mobile handset casings</i>		<i>Corporate</i>		<i>Total</i>	
	<i>30 June 2010 RMB'000</i>	<i>December 2009 RMB'000</i>	<i>30 June 2010 RMB'000</i>	<i>December 2009 RMB'000</i>	<i>30 June 2010 RMB'000</i>	<i>December 2009 RMB'000</i>	<i>30 June 2010 RMB'000</i>	<i>December 2009 RMB'000</i>
Segment assets	<u>513,146</u>	<u>469,623</u>	<u>2,470</u>	<u>35,780</u>	<u>21,279</u>	<u>26,173</u>	<u>536,895</u>	<u>531,576</u>

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

**22. Approval of Interim Financial Statements**

The interim financial statements were approved by the board of directors on 30 August 2010.