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 2008

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 2008, together with the comparative results for the previous year as follows:

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2008

	Notes	**2008** **RMB'000**	2007 RMB'000
REVENUE	4	**777,807**	834,608
Cost of sales		**(679,592)**	(701,641)
Gross profit		**98,215**	132,967
Other income and gains	4	**8,113**	3,554
Selling and distribution costs		**(33,625)**	(21,921)
Administrative expenses		**(25,037)**	(18,575)
Research and development costs		**(12,530)**	(11,759)
Other expenses		**(10,953)**	(6,599)
Finance costs		**(2,353)**	(3,211)
PROFIT BEFORE TAX		**21,830**	74,456
Tax	5	**(10,513)**	(6,023)
PROFIT FOR THE YEAR		**11,317**	68,433
Attributable to:			
Equity holders of the parent		**11,317**	68,433
DIVIDENDS	6		
Proposed final		**–**	20,275
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	7		
Basic		**2.8 cents**	22.6 cents

CONSOLIDATED BALANCE SHEET

31 December 2008

	Notes	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**257,730**	171,490
Investment properties		**10,345**	3,700
Land lease prepayments		**22,293**	10,708
Deferred tax assets		**1,039**	1,807
Total non-current assets		**291,407**	187,705
CURRENT ASSETS			
Inventories		**111,552**	75,467
Trade receivables	8	**95,533**	117,284
Prepayments, deposits and other receivables		**18,616**	13,548
Derivative financial instruments		**454**	–
Cash and cash equivalents		**109,925**	188,812
Pledged bank deposits		**49,870**	40,286
Total current assets		**385,950**	435,397
CURRENT LIABILITIES			
Trade and bills payables	9	**161,235**	138,219
Deferred income, accruals and other payables		**50,825**	34,617
Tax payable		**12,526**	7,546
Provisions		**3,699**	4,609
Interest-bearing bank loans		**41,993**	40,479
Dividends payable		**171**	171
Due to related parties		**12,210**	1,391
Total current liabilities		**282,659**	227,032
NET CURRENT ASSETS		**103,291**	208,365
TOTAL ASSETS LESS CURRENT LIABILITIES		**394,698**	396,070
NON-CURRENT LIABILITIES			
Deferred income		**5,080**	7,995
Deferred tax liabilities		**955**	–
Total non-current liabilities		**6,035**	7,995
Net assets		**388,663**	388,075
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**3,824**	3,773
Reserves		**384,839**	364,027
Proposed final dividend	6	**–**	20,275
Total equity		**388,663**	388,075

NOTES TO FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

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, except for derivative financial instruments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2. IMPACT OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to 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 interpretations and amendments has had no significant effect on these financial statements.

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

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

(a) Amendments to IAS 39 *Financial Instruments: Recognition and Measurement and* IFRS 7 *Financial Instruments: Disclosures – Reclassification of Financial Assets*

The amendments to IAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to IFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) IFRIC 11 *IFRS 2 – Group and Treasury Share Transactions*

IFRIC 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. IFRIC 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. The interpretation has had no impact on the financial position or results of operations of the Group.

(c) IFRIC 12 *Service Concession Arrangements*

IFRIC 12 applies to service concession operators and explains how to account for the obligations undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) IFRIC 14 *IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*

IFRIC 14 addresses how to assess the limit under IAS 19 *Employee Benefits*, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products they provide. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments.

Summary details of the business segments are as follows:

(i) the multi-layer ceramic chips ("MLCC") segment engages in the manufacture and sale of MLCC and the trading of MLCC;

(ii) the mobile phones segment engages in the manufacture and sale of mobile phones; and

(iii) the mobile phone components segment engages in the manufacture and sale of mobile phone components and the trading of mobile phone components.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. No assets and capital expenditure information is presented for the Group's geographical segments, as over 90% of the Group's assets are located in Mainland China.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

	MLCC	Mobile phones	Eliminations	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2008				
Segment revenue:				
Sales to external customers	232,646	545,161	–	777,807
Intersegment sales	3,806	–	(3,806)	–
Other income	1,489	716	–	2,205
Total	237,941	545,877	(3,806)	780,012
Segment results	37,715	(8,463)	–	29,252
Bank interest income and unallocated gains				5,908
Corporate and other unallocated expenses				(10,977)
Finance costs				(2,353)
Profit before tax				21,830
Tax				(10,513)
Profit for the year				11,317
At 31 December 2008				
Segment assets	440,578	194,594	–	635,172
Corporate and other unallocated assets				42,185
Total assets				677,357
Segment liabilities	99,781	136,310	–	236,091
Corporate and other unallocated liabilities				52,603
Total liabilities				288,694
Other segment information				
Depreciation and amortisation	17,774	1,817	–	19,591
Corporate and other unallocated amounts				99
				19,690
Capital expenditure	122,226	2,215	–	124,441
Additional warranty provision	–	15,449	–	15,449
Provision against slow-moving inventories	1,098	400	–	1,498
Impairment of trade receivables	1,316	–	–	1,316

	MLCC RMB'000	Mobile phones RMB'000	Mobile phone components* RMB'000	Eliminations RMB'000	Total RMB'000
Year ended 31 December 2007					
Segment revenue:					
Sales to external customers	221,545	609,774	3,289	–	834,608
Intersegment sales	7,098	–	–	(7,098)	–
Other income	1,087	–	–	–	1,087
Total	229,730	609,774	3,289	(7,098)	835,695
Segment results	45,861	43,163	30	–	89,054
Bank interest income and unallocated gains					2,467
Corporate and other unallocated expenses					(13,854)
Finance costs					(3,211)
Profit before tax					74,456
Tax					(6,023)
Profit for the year					68,433
At 31 December 2007					
Segment assets	306,256	186,951	–	–	493,207
Corporate and other unallocated assets					129,895
Total assets					623,102
Segment liabilities	67,893	115,374	–	–	183,267
Corporate and other unallocated liabilities					51,760
Total liabilities					235,027
Other segment information					
Depreciation and amortisation	14,102	1,082	–	–	15,184
Corporate and other unallocated amounts					11
					15,195
Capital expenditure	34,805	4,157	–	–	38,962
Corporate and other unallocated capital expenditure	–	–	–	–	8,270
Additional warranty provision	–	13,210	–	–	13,210
Provision/(reversal of provision) against slow-moving inventories	(4,717)	1,908	–	–	(2,809)
Reversal of impairment of trade receivables	(88)	–	–	–	(88)
Impairment of other receivables	386	–	–	–	386

* During the year ended 31 December 2007, the business segment of mobile phone components has been integrated with that of mobile phones and therefore, the Group's mobile phone components segment had no segment assets and liabilities as at 31 December 2007.

(b) Geographical segments

The following table presents revenue information for the Group's geographical segments for the years ended 31 December 2008 and 2007:

	2008	2007
	RMB'000	RMB'000
Sales to external customers:		
Mainland China	**517,124**	594,122
Hong Kong and Macau	**236,059**	221,630
America and Europe	**243**	5,651
Taiwan	**11,186**	7,661
Turkey	**5,525**	–
India	**7,670**	5,544
	777,807	834,608

4. 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:

	2008	2007
	RMB'000	RMB'000
Revenue		
Sale of MLCC	**232,646**	221,545
Sale of mobile phones	**545,161**	609,774
Sale of mobile phone components	**–**	3,289
	777,807	834,608
Other income		
Bank interest income	**2,846**	956
Rental income	**1,532**	503
Government grant	**1,000**	–
Amortisation of deferred income	**806**	1,087
Sale of materials	**683**	958
Others	**792**	50
	7,659	3,554
Gains		
Fair value gains, net:		
Derivative instruments – transactions not qualifying as hedges	**454**	–
	8,113	3,554

5. 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.

During the 5th Session of the 10th National People's Congress, which was concluded on 16 March 2007, the PRC Corporate Income Tax Law (the "New Corporate Income Tax Law") was approved, and which became effective from 1 January 2008. The New Corporate Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%.

Pursuant to the State Council Circular on the Implementation of the Transitional Concession Policies for Corporate Income Tax (Guo Fa [2007] no. 39), enterprises previously entitled to a reduced tax rate shall have a grace period of five years regarding the tax reduction commencing on 1 January 2008; the enterprises entitled to a 15% corporate income tax rate will be subject to tax rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 and thereafter. Enterprises certificated as high-tech enterprises are subject to an enterprise income tax rate of 15% for three years (including 2008) under a preferential tax policy.

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 18% (2007: 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 2006 was SZ Eycom's first profit-making year and was the first year of its tax holiday. Accordingly, SZ Eycom was subject to CIT at a rate of 9% for the year ended 31 December 2008 (2007: Nil).

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. SZ Eyang has obtained the certification of a hi-tech enterprise on 16 December 2008, to which a CIT rate of 15% shall apply from 2008 to 2010.

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 25% on their assessable profits for the year ended 31 December 2008 (2007: 33%).

Anhui Jineyang Electronic Technology Co., Ltd. ("Anhui Jineyang") (安徽金宇陽電子科技有限公司), which was incorporated in Anhui province on 25 August 2008, is subject to CIT at a rate of 25% on its assessable profits for the year ended 31 December 2008.

	2008	2007
	RMB'000	RMB'000
Group:		
Current – PRC		
Charge for the year	**8,790**	6,158
Deferred	**1,723**	(135)
Total tax charge for the year	**10,513**	6,023

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:

Group – 2008

	Mainland China		**Cayman**		**Total**	
	RMB'000	**%**	**RMB'000**	**%**	**RMB'000**	**%**
Profit before tax	**30,620**		**(8,790)**		**21,830**	
Tax at the statutory tax rate	**7,655**	**25**	**–**	**–**	**7,655**	**35**
Tax effect of:						
Lower tax rates for specific districts	**(1,096)**	**(4)**	**–**	**–**	**(1,096)**	**(5)**
Tax incentives	**(165)**	**(1)**	**–**	**–**	**(165)**	**(1)**
Income not subject to tax	**(121)**	**–**	**–**	**–**	**(121)**	**–**
Expenses not deductible for tax	**1,051**	**3**	**–**	**–**	**1,051**	**5**
Tax losses utilised from previous periods	**(363)**	**(1)**	**–**	**–**	**(363)**	**(2)**
Tax losses not recognised	**1,542**	**5**	**–**	**–**	**1,542**	**7**
Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries	**955**	**3**	**–**	**–**	**955**	**4**
Others	**1,055**	**4**	**–**	**–**	**1,055**	**5**
Tax charge at the Group's effective tax rate	**10,513**	**34**	**–**	**–**	**10,513**	**48**

Group – 2007

	Mainland China		Cayman		Total	
	RMB'000	%	RMB'000	%	RMB'000	%
Profit before tax	88,311		(13,855)		74,456	
Tax at the statutory tax rate	29,142	33	–	–	29,142	39
Tax effect of:						
Lower tax rates for specific districts	(15,481)	(18)	–	–	(15,481)	(21)
Tax incentives	(9,608)	(11)	–	–	(9,608)	(13)
Effect on opening deferred tax of change in tax rates	7	–	–	–	7	–
Income not subject to tax	(163)	–	–	–	(163)	–
Expenses not deductible for tax	719	1	–	–	719	1
Others	1,407	2	–	–	1,407	2
Tax charge at the Group's effective tax rate	6,023	7	–	–	6,023	8

6. DIVIDENDS

	2008	2007
	RMB'000	RMB'000
Dividends declared by the subsidiaries	**–**	4,500
Proposed final – Nil (2007: RMB5 cents per share)	**–**	20,275
	–	24,775

The dividends declared by the subsidiaries represent the dividends declared and paid by the Company's subsidiaries to their then shareholders during the year ended 31 December 2007.

7. 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 RMB11,317,000 (2007: RMB68,433,000) and the weighted average of 405,290,000 ordinary shares in issue (2007: 303,014,000 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 2008 includes the weighted average of 5,290,000 shares issued upon exercise of the over-allotment option on 15 January 2008 in addition to 400,000,000 ordinary shares issued during the year ended 31 December 2007.

The share options granted and outstanding during the year had no dilutive effect during the period, accordingly, no diluted earnings per share amount has been presented.

8. TRADE RECEIVABLES

	Group	
	2008	2007
	RMB'000	RMB'000
Trade receivables	**98,613**	120,341
Impairment	**(3,080)**	(3,057)
	95,533	117,284

The Group's trading terms with its MLCC customers are mainly on credit. The credit period for MLCC is generally for two to five months. Each customer has a maximum credit limit. The Group's revenue from sales of mobile phone is mainly on a cash basis except for certain major customers, which are generally offered a credit term of two months.

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.

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

	2008	2007
	RMB'000	RMB'000
Within 90 days	**84,815**	108,194
91 to 180 days	**10,113**	9,067
181 to 360 days	**605**	–
1 to 2 years	**–**	1,544
2 to 3 years	**1,544**	1,536
Over 3 years	**1,536**	–
	98,613	120,341

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

	2008	2007
	RMB'000	RMB'000
At 1 January	**3,057**	3,145
Impairment losses recognised/(reversed)	**1,316**	(88)
Amount written off as uncollectible	**(1,293)**	–
At 31 December	**3,080**	3,057

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB3,080,000 (2007: RMB3,057,000) with a carrying amount of RMB3,080,000 (2007: RMB3,057,000). 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:

	Group	
	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**89,485**	98,597
Less than 90 days past due	**5,621**	18,664
91 to 180 days past due	**427**	–
181 to 360 days past due	**–**	–
1 to 2 years past due	**–**	23
	95,533	117,284

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.

9. 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:

	Group	
	2008	2007
	RMB'000	RMB'000
Within 90 days	**107,572**	118,670
91 to 180 days	**633**	1,518
181 to 360 days	**636**	186
1 to 2 years	**391**	68
2 to 3 years	**23**	–
	109,255	120,442
Bills payable	**51,980**	17,777
	161,235	138,219

The trade payables are non-interest-bearing and are normally settled on 30 to 120 days terms.

The bills payable will all be mature within 90 days.

The Group's bills payable amounting to RMB41,980,000 as at 31 December 2008 (31 December 2007: RMB17,777,000) were secured by the Group's bank deposits amounting to RMB11,252,000 (31 December 2007: RMB9,777,000). The remaining bills payable of RMB10,000,000 as at 31 December 2008 were issued under bank facilities secured by certain property, plant and equipment of the Group.

MANAGEMENT'S DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The financial tsunami in 2008 overwhelmed the global economy, the three big economies, namely the USA, Europe and Japan, together turned into recession. Since ultimate clients of the Group's MLCC business are mainly located in the United States and European markets, the demand from the Group's clients decreased starting from the fourth quarter of 2008. With the significant depreciation of Korean Won against United States dollars, Euro, Japanese Yen and RMB, and appreciation of RMB against all major currencies, South Korean counterparts enjoy a comparative price advantage, and hence sales of the Group's MLCC products are under substantial pressure. The Group managed to minimize the negative impact of global economic recession on the Group's MLCC business through our technological advancement in MLCC business, optimization of product portfolio as well as since the forth quarter of 2008 appropriately re-aligning its target market with the mainland China,where the impact of financial tsunami to its economic growth was relatively small, and enhanced its sales effort there. In 2008 the Group MLCC's sales increased by 5% against the depressing market and the related gross margin ratio grew by 1%.

Mobile phone business is another principal business segment of the Group with its sales mainly made in the PRC. In 2008, under the effect of the financial tsunami, the already excessive competition in mobile phone market was further intensified. Therefore, the results of the Group's mobile phone business declined by a certain extent when compared to that in 2007.

PROSPECTS

Since the second and third quarter of 2008, the world's three biggest economies, namely the USA, Europe and Japan slumped into a recession respectively. Though these economies launch bailout package with great effort and intend to prevent their national economy from going further downward through increasing the market liquidity, yet the three biggest economies have not recovered so far and sign of any positive outlook in the foreseeable future is still remote. Instead, the risk of the three major economies going into stagflation has been rising due to the deleveraging process in financial market and the overflowing of market liquidity.

China's financial industry is a relatively 'closed door' one to a certain extent, therefore the impact from the financial tsunami to the financial industry of China is limited. The major negative impact on China economy is reflected in the decrease in import and export (especially the export and import of third-party processing). Also, with the launch of RMB4 trillion economic stimulation package by Chinese government for boosting the economy through investment and the adjusted direction of monetary policies from tightened monetary policies to more relaxed monetary policies, the China economy appeared to have bottomed out and started to recover in the first quarter of 2009.

In the coming year, it is expected that RMB against the world's major currencies will still has certain extent of appreciation. At the same time, the fiancial tsunami has prompted corporations to be more cautious about investment, purchase, production and sales planning. It is expected that purchase orders continue to require a shorter delivery time. This situation will bring challenges to the Group's operation.

As the principal businesses of the Group are located in the PRC, the macro-economic landscape of the PRC will have a greater impact on the operating results of the Group. It is expected that in 2009 China will walk out of the bottom earlier than the three big economies, namely the USA, Europe and Japan. However, despite the existence of fierce competition, the Group can still manage to obtain the feedback of MLCC demand information quicker than its competitors of other areas as the Group is based in Pearl River Delta, one of the world's major electronic products processing center, which brings more opportunities for the Group to develop its MLCC business and improve its results.

In the coming year, the Group faces more opportunities than challenges, and this is an excellent time for the Group to rapidly increase its market share.

FINANCIAL REVIEW

MLCC BUSINESS

MLCC is a type of mini multi-layer ceramic capacitor which is a basic electronic component that has been widely used in information technology, communication and consumer electronic products. In 2008, the revenue of the MLCC business of the Group was approximately RMB232.6 million, representing an increase of about 5% from 2007. The gross margin grew by approximately 10.1% from 2007 to approximately RMB70.3 million. The gross margin ratio increased by approximately 1% against that of 2007 to approximately 30.2%.

Compared to 2007, the Group's gross margin from the MLCC business and gross margin ratio increased in 2008 thanks to the advancement of technology innovations and realignment of product portfolio.

MOBILE PHONE BUSINESS

In 2008, the revenue of the mobile phone business of the Group decreased by approximately 10.6% to RMB545.2 million and the gross margin dropped by approximately 59.4% to approximately RMB27.9 million respectively. The gross margin ratio was approximately 5.1%, representing a decrease of 6% as compared to that of 2007.

The Group's mobile phone business is mainly for sales in the PRC. The decrease in the revenue generated from mobile phone business in 2008 was mainly attributable to the impact of financial tsunami and over-competition in the PRC market. The drop of the Group's gross margin and gross margin ratio of the mobile phone business was due to the reduction of product selling prices so as to address the issues of fierce market competition.

PROFIT FOR THE YEAR

As detailed above, in 2008 the Group's MLCC revenue grew by 5% over last year, and both the gross margin and gross margin ratio of the Group's MLCC business in 2008 had increased over that of 2007. Sales revenue from mobile phone business declined with gross margin and gross margin ratio droping in tandem. The profit attributable to the shareholders of the Company for the year ended 31 December 2008 was approximately RMB11.3 million, representing a decrease of approximately 83.5% as compared to that in 2007. The earnings per share were RMB2.8 cents, representing an decrease of 87.6% as compared with that in 2007.

GEARING RATIO

The Group monitors working 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 (excluding accruals and deferred income within one year) less cash and cash equivalents. Capital represents equity attributable to the equity holders of the parent. As at 31 December 2007 and 2008, the gearing ratio was nil and approximately 23%, respectively.

PROPERTY, PLANT AND EQUIPMENT

The property, plant and equipment of the Group mainly comprised of buildings, plant and machinery, office and other equipment, motor vehicles and construction in progress. The net book value as at 31 December 2007 and 2008 were approximately RMB171.5 million and RMB257.7 million respectively. The increase in the property, plant and equipment of the Group during the current year was mainly due to the increase in the purchase of relevant research and production facilities for the development and expansion of its production capacity for its MLCC business and 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 and mobile phones, work in progress and finished products. As at 31 December 2007 and 2008, the Group recorded a net book value of inventory of approximately RMB75.5 million and RMB111.6 million respectively. The increase in the inventory balance of the Group was mainly due to the increase in production capacity of MLCC, which in turn increase normal inventory for production and sales.

TRADE RECEIVABLES

The trade receivables of the Group were mainly due from the Group's MLCC and mobile phone customers. As at 31 December 2007 and 2008, the net book value of trade receivables were approximately RMB117.3 million and RMB95.5 million respectively. The decrease in trade receivables was mainly because revenue dropped in the fourth quarter of 2008. Also, given that fact that the Group expected the risk associated with customers' payment would increase, the Group adopted a "delivery upon payment" policy for those customers (mainly for mobile phone customers) whose credit risk could not be lowered through other effective measures so as to minimize the Group's exposure to the risk of default payment.

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 2007 and 2008, the net book value of trade and bills payables were approximately RMB138.2 million and RMB161.2 million respectively. The increase in the trade and bills payables of the Group was mainly because the Group had purchased more raw materials for its MLCC production to satisfy the expansion of production capacity in order to cope with the potential increase in MLCC sales as well as the extension of settlement period.

EFFECTIVE TAX RATE

The effective tax rates of the Group for the years ended 31 December 2007 and 2008 were approximately 8% and 48% respectively. The substantial increase in the effective tax rate is mainly due to (1) the losses of the Company and its subsidiaries Shenzhen Eycom and Hong Kong Eyang Holdings (Group) Co., Limited for the current year, (2) increase in Corporate Income Tax rate for Shenzhen Eyang from 7.5% to 15%; (3) Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China . The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable to withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008. Deferred tax liability is provided for withholding taxes that would be payable on the unremitted earnings of the Group's subsidiaries.

BORROWINGS

As at 31 December 2008, the Group had outstanding borrowings of approximately RMB42 million, all of which were secured bank loans. All the outstanding borrowings are repayable within one year.

PLEDGE OF ASSETS

As at 31 December 2008, the Group pledged its certain property, plant and equipment with net book value of approximately RMB75.4 million and bank deposits of RMB49.9 million to secure the interest-bearing bank loans and issuance of bills payable and letter of credit.

CONTINGENT LIABILITIES

As at 31 December 2008, the Group had no material contingent liabilities.

COMMITMENTS

As at 31 December 2008, the capital commitments of the Group were approximately RMB11.2 million. The capital commitments of the Group decreased from approximately RMB25.2 million in 2007 to approximately RMB11.2 million in 2008, which was mainly due to the decrease in the purchase of equipment which had not yet been delivered.

Apart from the trade and bills payables and bank loans as disclosed above 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 2008.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Net current asset

As at 31 December 2008, the Group had net current assets of approximately RMB103.3 million, including current assets of approximately RMB386.0 million and current liabilities of approximately RMB282.7 million.

Cash flows

	For the year ended 31 December	
	2008	2007
	RMB'000	RMB'000
Net cash inflow from operating activities	**67,522**	60,540
Net cash outflow from investing activities	**(120,309)**	(49,708)
Net cash (outflow)/inflow from Financing activities	**(23,995)**	74,341
Cash and cash equivalents at the end of year	**(131,705)**	210,334

For the year ended 31 December 2008, the Group's net cash inflow from operating activities increased approximately RMB7.0 million over last year to approximately RMB67.5 million, which was mainly due to the fact that during the financial tsunami, the Group expected the risk associated with customers' payment would increase, the Group adopted a "delivery upon payment" policy for those customers (mainly for mobile phone customers) whose credit risk could not be lowered through other effective measures so as to minimize the Group's exposure to the risk of default payment.

For the year ended 31 December 2008, the Group's net cash outflow from investing activities increased by approximately RMB70.6 million from approximately RMB49.7 million in 2007 to approximately RMB120.3 million, which was mainly used in purchasing equipments, constructing headquarter and acquiring the land in Chuzhou, Auhui.

As at 31 December 2008, the Group's net cash outflow from financing activities was approximately RMB24.0 million, which was mainly used in payment of dividends for the year ended 31 December 2007.

Banking facilities

As at 31 December 2008, the Group had aggregate banking facilities of approximately RMB105.1 million, of which approximately RMB94.8 million had not been utilised.

Foreign exchange

In 2008, approximately 34% of the Group's sales and 42% of purchase were denominated in US dollars and Hong Kong dollars. The Group's foreign currencies account is basically balance and its foreign currencies risk is relative small.

STAFF

As at 31 December 2008, the Group had a total of 1,856 staff, whose remuneration and benefits are determined based on market, state policies and individual performance.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed shares of the Company during the year ended 31 December 2008.

CORPORATE GOVERNANCE

The Company has adopted the code on Corporate Governance to ensure its accountability and integrity. The Company has devised the code by incorporating the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), The code has serves as the frameworks in which the company's policies and practices are formulated so that a high level of corporate governance can be maintained. The Company believes that good corporate governance can enhance shareholders' value and confidence of other stakeholders like prospective investors.

The Board has reviewed the corporate governance practices of the Company and considers that the Company has complied with the CG Code during the year ended 31 December 2008, save for the exception that 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.

AUDIT COMMITTEE

The Audit Committee comprises three independent non-executive Directors, namely, Mr. Chu Kin Wang, Peleus (Chairman of the Audit Committee), Mr. Pan Wei and Mr. Liu Huanbin. The main duties of the Audit Committee are to review the financial statements and financial and accounting policies of the Company and oversee the Company's financial reporting system and internal control procedures.

During the year ended 31 December 2008 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 Audit Committee has not taken a different view from the Board regarding the selection, appointment, resignation or dismissal of the external auditors. The Audit Committee has reviewed the Group's annual results for the year ended 31 December 2008.

REMUNERATION COMMITTEE

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

MODEL CODE FOR DEALING IN SECURITIES BY DIRECTORS

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 to the Listing Rules. Specific enquiry has been made of each Director of the Board, all Directors confirm that they have fully complied with the Model Code throughout the year ended 31 December 2008.

DIVIDENDS

The Directors do not recommend payment of a final dividend for the year ended 31 December 2008 (2007: RMB0.05).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 27 May 2009, Wednesday to 1 June 2009, Monday (both days inclusive), during which period no transfer of shares will be effected. In order to qualify for 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 26 May 2009, Tuesday.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "AGM") will be held at Plaza I – III, Lower Lobby, Novotel Century Hong Kong, 238 Jaffe Road, Wanchai, Hong Kong on Monday, 1 June 2009 at 10:00 a.m. Notice of the AGM will be published and despatched to the shareholders in the manner as required by the Listing Rules in due course.

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.

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

Hong Kong, 24 April 2009

As at the date of this announcement, the Board comprises 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.