**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 2010

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 2010, together with the comparative results for the previous year as follows:

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2010

| | Notes | **2010 RMB'000** | 2009 RMB'000 |
|---|---|---|---|
| **CONTINUING OPERATIONS** | | | |
| REVENUE | 4 | **396,298** | 300,289 |
| Cost of sales | | **(308,350)** | (227,046) |
| Gross profit | | **87,948** | 73,243 |
| Other income and gains | 4 | **7,405** | 15,396 |
| Selling and distribution costs | | **(10,341)** | (9,627) |
| Administrative expenses | | **(18,241)** | (19,741) |
| Other expenses | | **(7,601)** | (8,172) |
| Finance costs | | **(7,101)** | (1,743) |
| Research and development costs | | **(9,363)** | (6,168) |
| **PROFIT BEFORE TAX FROM CONTINUING OPERATIONS** | | **42,706** | 43,188 |
| Income tax expense | 5 | **(8,751)** | (3,075) |
| **PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS** | | **33,955** | 40,113 |
| **DISCONTINUED OPERATION** | | | |
| Loss for the year from a discontinued operation | 10 | **—** | (20,410) |
| **PROFIT FOR THE YEAR** | | **33,955** | 19,703 |
| **OTHER COMPREHENSIVE INCOME** | | | |
| Exchange difference on translation of foreign operations | | **1,766** | 34 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | | **35,721** | 19,737 |
| Profit for the year attributable to: | | | |
| Owners of the parent | | **33,955** | 19,703 |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | **35,721** | 19,737 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 7 | | |
| Basic and diluted | | | |
| – For profit for the year | | **8.4 cents** | 4.9 cents |
| – For profit from continuing operations | | **8.4 cents** | 9.9 cents |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2010

| | Notes | **31 December 2010 RMB'000** | 31 December 2009 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **263,854** | 245,247 |
| Investment properties | | **29,671** | 16,383 |
| Prepaid land lease payments | | **21,317** | 21,805 |
| Other intangible assets | | **1,369** | 1,541 |
| Deferred tax assets | | **2,342** | 1,930 |
| Total non-current assets | | **318,553** | 286,906 |
| **CURRENT ASSETS** | | | |
| Inventories | | **104,421** | 113,849 |
| Trade and bills receivables | 8 | **153,099** | 126,346 |
| Prepayments, deposits and other receivables | | **12,791** | 8,492 |
| Due from related parties | | **6,910** | 2,983 |
| Pledged deposits | | **18,120** | 25,840 |
| Cash and cash equivalents | | **48,481** | 35,823 |
| Total current assets | | **343,822** | 313,333 |
| **CURRENT LIABILITIES** | | | |
| Trade and bills payables | 9 | **57,582** | 82,138 |
| Deferred income, accruals and other payables | | **33,203** | 26,610 |
| Tax payable | | **14,948** | 9,687 |
| Interest-bearing bank loans | | **110,666** | 63,851 |
| Dividends payable | | **171** | 171 |
| **Total current liabilities** | | **216,570** | 182,457 |
| **NET CURRENT ASSETS** | | **127,252** | 130,876 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **445,805** | 417,782 |
| **NON-CURRENT LIABILITIES** | | | |
| Deferred income | | **3,468** | 4,274 |
| Deferred tax liabilities | | **5,067** | 3,413 |
| Total non-current liabilities | | **8,535** | 7,687 |
| Net assets | | **437,270** | 410,095 |
| EQUITY | | | |
| **Equity attributable to owners of the parent** | | | |
| Issued capital | | **3,824** | 3,824 |
| Reserves | | **423,207** | 396,998 |
| Proposed final dividends | 6 | **10,239** | 9,273 |
| Total equity | | **437,270** | 410,095 |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2010

| | Attributable to owners of the parent | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Issued capital RMB'000 (note 29) | Share premium account RMB'000 | Contributed surplus RMB'000 | Share option reserve RMB'000 (note 30) | Exchange fluctuation reserve RMB'000 | Retained profits RMB'000 | Proposed final dividend RMB'000 | Total equity RMB'000 |
| At 1 January 2009 | 3,824 | 104,657 | 200,713 | 4,779 | (1,596) | 76,286 | — | 388,663 |
| Total comprehensive income for the year | — | — | — | — | 34 | 19,703 | — | 19,737 |
| Disposal of a subsidiary | — | — | (1,774) | — | — | 1,774 | — | — |
| Equity-settled share option arrangements | — | — | — | 1,695 | — | — | — | 1,695 |
| Share options forfeited | — | — | — | (1,677) | — | 1,677 | — | — |
| Proposed final 2009 dividend | — | — | — | — | — | (9,273) | 9,273 | — |
| At 31 December 2009 and 1 January 2010 | 3,824 | 104,657* | 198,939* | 4,797* | (1,562)* | 90,167* | 9,273 | 410,095 |
| Total comprehensive income for the year | — | — | — | — | 1,766 | 33,955 | — | 35,721 |
| Equity-settled share option arrangements | — | — | — | 727 | — | — | — | 727 |
| Share options forfeited | — | — | — | (480) | — | 480 | — | — |
| Final 2009 dividend declared | — | — | — | — | — | — | (9,273) | (9,273) |
| Proposed final 2010 dividend | — | — | — | — | — | (10,239) | 10,239 | — |
| At 31 December 2010 | 3,824 | 104,657* | 198,939* | 5,044* | 204* | 114,363* | 10,239 | 437,270 |

* *These reserve accounts comprise the consolidated reserves of RMB423,207,000 (2009: RMB396,998,000) in the consolidated statement of financial position.*

# NOTES TO FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

EYANG Holdings (Group) Co., Limited (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). The Company's registered office is located at the offices of Codon Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands, and the head office and principal place of business of the Company are located at EYANG Building, No.3 Qimin Street, No. 2 Langshan Road, North Area, Hi-Tech Industrial Park, Nanshan District, Shenzhen, the PRC.

The principal activity of the Company is investment holding. The subsidiaries of the Company are mainly involved in manufacture and sale of multi-layer ceramic capacitor ("MLCC").

The Company is a subsidiary of EY OCEAN Management Limited ("EY OCEAN"), a company incorporated in the British Virgin Islands. EY OCEAN is considered by the directors as the Company's ultimate holding company.

## 2.1 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. These financial statements have been prepared under the historical cost convention and financial statements are presented in Renminbi ("RMB").

**Basis of consolidation**

*Basis of consolidation from 1 January 2010*

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 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. 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 intra-group balances, transactions, and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

## 2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| IFRS 1 (Revised) | *First-time Adoption of International Financial Reporting Standards* |
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters* |
| IFRS 2 Amendments | Amendments to IFRS 2 *Share-based Payment - Group Cash-settled Share-based Payment Transactions* |
| IFRS 3 (Revised) | *Business Combinations* |
| IAS 27 (Revised) | *Consolidated and Separate Financial Statements* |
| IAS 39 Amendment | Amendment to IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* |
| IFRIC 17 | *Distributions of Non-cash Assets to Owners* |
| IFRS 5 Amendments included in *Improvements to IFRSs issued in May 2008* | Amendments to IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations – Plan to sell the controlling interest in a subsidiary* |
| *Improvements to IFRSs 2009* | Amendments to a number of IFRS issued in April 2009 |

Other than as further explained below regarding the impact of IFRS 3 (Revised), IAS 27 (Revised) and amendments to IAS 7, IAS 17 and IAS 36 included in *Improvements to IFRSs 2009* and, the adoption of the new and revised IFRSs has had no significant financial effect on these financial statements.

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

(a) IFRS 3 (Revised) *Business Combinations and* IAS 27 (Revised) *Consolidated and Separate Financial Statements*

IFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

IAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to IAS 7 *Statement of Cash Flows*, IAS 12 *Income Taxes*, IAS 21 *The Effects of Changes in Foreign Exchange Rates*, IAS 28 *Investments in Associates* and IAS 31 *Interests in Joint Ventures*.

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) *Improvements to IFRSs 2009* issued in April 2009 sets out amendments to a number of IFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- IAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

- IAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in IAS 17.

- IAS 36 *Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in IFRS 8 *Operating Segments* before aggregation for financial reporting purposes.

## 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| IFRS 1 Amendment | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters*[2] |
| IFRS 1 Amendments | Amendments to IFRS 1 *First-time Adoption of International Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[4] |
| IFRS 7 Amendments | Amendments to IFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets*[4] |
| IFRS 9 | *Financial Instruments*[6] |
| IAS 12 Amendments | Amendments to IAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets*[5] |
| IAS 24 (Revised) | *Related Party Disclosures*[3] |
| IAS 32 Amendment | Amendment to IAS 32 *Financial Instruments: Presentation – Classification of Rights Issues*[1] |
| IFRIC 14 Amendments | Amendments to IFRIC 14 *Prepayments of a Minimum Funding Requirement*[3] |
| IFRIC 19 | *Extinguishing Financial Liabilities with Equity Instruments*[2] |

Apart from the above, the IASB has issued *Improvements to IFRSs 2010* which sets out amendments to a number of IFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to IFRS 3 and IAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to IFRS 1, IFRS 7, IAS 1, IAS 34 and IFRC 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard or interpretation.

1 Effective for annual periods beginning on or after 1 February 2010
2 Effective for annual periods beginning on or after 1 July 2010
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 July 2011
5 Effective for annual periods beginning on or after 1 January 2012
6 Effective for annual periods beginning on or after 1 January 2013

### 3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on the nature of their products and services.

On 4 September 2009, the Group entered into a disposal agreement with a related party of the Company to transfer the entire equity interest in Shenzhen Eycom Technology Co., Ltd. ("SZ Eycom") (深圳市億通科技有限公司) to the related party at a consideration of RMB3,445,000. The disposal was completed on 14 October 2009. Subsequent to the disposal, the multi-layer ceramic chips ("MLCC") segment became the only major continuing reportable operating segment of the Group, which engages in the manufacture and sale of MLCC and the trading of MLCC. Accordingly, no further operating segment information is provided.

Geographical information for the continuing operation businesses

| | **2010** | 2009 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Revenue from external customers: | | |
| Mainland China | **219,247** | 156,504 |
| Hong Kong and Macau | **150,730** | 120,078 |
| America and Europe | **13,888** | 7,031 |
| Turkey | **7,155** | 6,041 |
| Japan | **3,419** | 1,668 |
| Taiwan | **1,142** | 3,078 |
| India | **717** | 5,889 |
| | **396,298** | 300,289 |

### 4. REVENUE, OTHER INCOME AND GAIN

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 gain from continuing operations is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| **Revenue** | | |
| Sale of MLCC | **396,298** | 300,289 |
| **Other income** | | |
| Bank interest income | **279** | 364 |
| Rental income | **4,947** | 3,444 |
| Government grant | **270** | — |
| Amortisation of deferred income | **806** | 806 |
| Sale of materials | **993** | 869 |
| Others | **110** | 206 |
| | **7,405** | 5,689 |
| **Gain** | | |
| Gain on disposal of a subsidiary | **—** | 9,707 |
| | **7,405** | 15,396 |

## 5. INCOME 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.

Shenzhen Eyang Technology Development Co., Ltd. ("SZ Eyang") (深圳市宇陽科技發展有限公司), a subsidiary of the Company in the PRC, obtained its high technology enterprise accreditation on 16 December 2008 and hence was subject to a national income tax rate of 15% from 2008 to 2010.

Except for SZ Eyang mentioned above that was entitled to a preferential tax rate of 15%, the subsidiaries of the Company were required to pay corporate income tax ("CIT") at the standard rate of 25% during the year.

| | **2010** | 2009 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Group: | | |
| Current – PRC | | |
| Charge for the year | **7,510** | 1,508 |
| Deferred | **1,241** | 1,567 |
| Total tax charge for the year | **8,751** | 3,075 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the countries in which the Company and its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e., the statutory tax rates) to the effective tax rates, are as follows:

**Group – 2010**

| | Mainland China | | Cayman Islands | | Total | |
|---|---|---|---|---|---|---|
| | **RMB'000** | **%** | **RMB'000** | **%** | **RMB'000** | **%** |
| Profit before tax from continuing operations | **45,587** | | **(2,881)** | | **42,706** | |
| Tax at the statutory tax rate | **11,397** | **25** | — | — | **11,397** | **27** |
| Tax effect of: | | | | | | |
| Lower tax rates for specific districts or countries | **(478)** | **(2)** | — | — | **(478)** | **(2)** |
| Tax incentives | **(2,627)** | **(6)** | — | — | **(2,627)** | **(6)** |
| Income not subject to tax | **(121)** | — | — | — | **(121)** | — |
| Expenses not deductible for tax | **1,684** | **4** | — | — | **1,684** | **4** |
| Tax losses not recognised | **230** | **1** | — | — | **230** | **1** |
| Additional deduction of 50% of the research and development expense | **(3,045)** | **(7)** | — | — | **(3,045)** | **(8)** |
| Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries | **1,654** | **4** | — | — | **1,654** | **4** |
| Others | **57** | — | — | — | **57** | — |
| Tax charge at the Group's effective tax rate | **8,751** | **19** | — | — | **8,751** | **20** |

**Group - 2009**

| | Mainland China | | Cayman Islands | | Total | |
|---|---|---|---|---|---|---|
| | RMB'000 | % | RMB'000 | % | RMB'000 | % |
| Profit before tax from continuing operations | 46,650 | | (3,462) | | 43,188 | |
| Tax at the statutory tax rate | 11,663 | 25 | — | — | 11,663 | 27 |
| Tax effect of: | | | | | | |
| Lower tax rates for specific districts or countries | (1,198) | (3) | — | — | (1,198) | (3) |
| Tax incentives | (3,415) | (7) | — | — | (3,415) | (8) |
| Adjustments in respect of current tax of previous periods | (3,696) | (8) | — | — | (3,696) | (9) |
| Income not subject to tax | (1,577) | (3) | — | — | (1,577) | (4) |
| Expenses not deductible for tax | 416 | 1 | — | — | 416 | 1 |
| Tax losses utilised from previous periods | (270) | — | — | — | (270) | — |
| Tax losses not recognised | 212 | — | — | — | 212 | — |
| Additional deduction of 50% of the research and development expense | (1,785) | (4) | — | — | (1,785) | (4) |
| Effect of withholding tax on the distributable profits of the Group's PRC subsidiaries | 2,458 | 5 | — | — | 2,458 | 6 |
| Others | 267 | 1 | — | — | 267 | 1 |
| Tax charge at the Group's effective tax rate | 3,075 | 7 | — | — | 3,075 | 7 |

## 6. DIVIDENDS

| | **2010** | 2009 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Proposed final – HK3.0 cents per share (2009: HK2.6 cents) | **10,239** | 9,273 |

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 405,500,000 (2009: 405,500,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2010 and 2009 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

## 8. TRADE AND BILLS RECEIVABLES

| | **Group** | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Trade and bills receivables | **161,633** | 134,746 |
| Impairment | **(8,534)** | (8,400) |
| | **153,099** | 126,346 |

The Group's trading terms with its MLCC customers are mainly on credit. The credit period for MLCC customers generally are two to five months. 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 were all due within 60 to 184 days from the end of the reporting period.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date, and the amount of bills receivable are as follows:

| | **2010** | 2009 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Within 90 days | **91,106** | 78,575 |
| 91 to 180 days | **21,218** | 21,679 |
| 181 to 360 days | **634** | 1,181 |
| 1 to 2 years | **5,454** | 106 |
| Over 3 years | **3,080** | 3,080 |
| | **120,492** | 104,621 |
| Bills receivable | **41,141** | 30,125 |
| | **161,633** | 134,746 |

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

| | 2010 | 2009 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| At 1 January | **8,400** | 3,080 |
| Impairment losses recognised | **134** | 5,320 |
| At 31 December | **8,534** | 8,400 |

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of RMB8,534,000 (2009: RMB8,400,000) with a carrying amount of RMB8,534,000 (2009: RMB8,400,000). 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.

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

| | **Group** | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Neither past due nor impaired | **98,451** | 90,195 |
| Less than 90 days past due | **12,727** | 4,285 |
| 91 to 180 days past due | **190** | 1,635 |
| 181 to 360 days past due | **590** | 106 |
| | **111,958** | 96,221 |

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 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 payables as at the end of the reporting period, based on the invoice date, and the amount of bills payable are as follows:

| | Group | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB'000** | RMB'000 |
| Within 90 days | **55,824** | 47,390 |
| 91 to 180 days | **618** | 678 |
| 181 to 360 days | **826** | 10 |
| 1 to 2 years | **261** | 60 |
| 2 to 3 years | **53** | — |
| | **57,582** | 48,138 |
| Bills payable | **—** | 34,000 |
| | **57,582** | 82,138 |

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

The Group's bills payable as at 31 December 2009 were issued under banking facilities secured by certain property, plant and equipment of the Group.

## 10. DISCONTINUED OPERATION

On 4 September 2009, the Group entered into a disposal agreement with Shenzhen Weichuang Investment Co., Ltd. ("Weichuang Investment") (深圳市偉創投資有限公司), a related party of the Company, to transfer the entire equity interest in SZ Eycom to Weichuang Investment for a consideration of RMB3,445,000. SZ Eycom engages in the manufacture and sale of mobile phones. The Group has decided to cease its mobile phone business in view of the continuing loss from the mobile phone business and the fierce competition in the PRC mobile phone market, and to focus its resources on the development of the growing MLCC business. The disposal of SZ Eycom was completed on 14 October 2009.

The results of SZ Eycom for the year 2009 are presented below:

| | **2009**<br>**RMB'000** |
|---|---|
| Revenue | **315,102** |
| Cost of sales | **(302,181)** |
| Gross profit | **12,921** |
| Bank interest income | **452** |
| Other income and gains | **183** |
| Selling and distribution costs | **(18,940)** |
| Administrative expenses | **(3,648)** |
| Research and development costs | **(4,330)** |
| Other expenses | **(6,617)** |
| Finance costs | **(431)** |
| Loss before tax from the discontinued operation | **(20,410)** |
| Income tax | **—** |
| Loss for the year from the discontinued operation | **(20,410)** |

The net cash flows incurred by SZ Eycom are as follows:

| | **2009**<br>**RMB'000** |
|---|---|
| Operating activities | **(27,613)** |
| Investing activities | **346** |
| Financing activities | **(18,759)** |
| Net cash inflow/(outflow) | **(46,026)** |
| Loss per share: | |
| Basic and diluted, from the discontinued operation | **(5.0 cents)** |

The calculation of the basic and diluted loss per share from the discontinued operation is based on:

| | 2009<br>RMB'000 |
|---|---|
| Loss attributable to ordinary equity holders of the parent from the discontinued operation | **20,410,000** |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | **405,500,000** |

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In 2010, major developed economies such as the U.S., Europe and Japan did not show significant recovery. However, due to the advancement of technology and replacement of digital products, the overall demand for electronic products picked up worldwide. Facilitated by the domestic demand stimulation policies such as the "Home Appliances Subsidy for Rural Villages" and "Appliances Trade-in" launched by the PRC Government, the demand for electronic products maintained a strong growth, which in turn drove the demand for MLCC. While the Group primarily focused on its MLCC business, the management of the Company seized the market development trend and effectively through its further technological advancement in MLCC business, optimization of product portfolio so as to enhance the competitiveness of the Company in an effective manner. In 2010, the Group's revenue from continuing operations for the period increased by 32%. Excluding the impact of the disposal of mobile business in 2009 which recorded a one-off gain of 9.7 million, its profit before tax from continuing operations for the period increased by approximately 12% compared to that of 2009.

The profit after tax attributable to the shareholders of the Company was RMB34.0 million in 2010, representing an increase of 72.3% over that of 2009.

### FUTURE PROSPECTS

In 2011, major developed economies will either continue its sluggish recovery or cease from recession, which are both favorable to the global economic growth. Nevertheless, as the majority of local governments implement strong intervention measures on its economy in the process of combating global financial crisis, the side effects will surface in 2011 and the next few years. As a result, the global economic fluctuation and the off-balance situation in the economic structure are expected to be intensified. Given the cyclical nature of digital products sector, the industry will fluctuate more vigorously and the conditions in the industry will further deteriorate. As a supplier of MLCC products, the Group is situated at the upstream position of the digital industry, which will encounter an even more complicated business environment.

In the Mainland China, the Central Government has tightened its monetary policy in order to tame inflation and control the excessive price hikes, in particular that of daily consumer goods. Therefore, it is expected that the monetary policy will be further tightened up in 2011. In order to achieve a balanced and stable national economic development, the domestic demand and consumption stimulation policies launched by the Central Government will remain unchanged. To a certain extent, it will stimulate the consumption of electronic as well as digital products, which in turn increase the demand for MLCC.

In the coming year, it is expected that RMB against the world's major currencies will have a significant appreciation. Meanwhile, the tightened monetary policy in the Mainland China makes enterprises more prudent in the formulation of investment, procurement, production and sales plans, thus making an impact on the sales and punctual payment of the Group's MLCC products. Although the Group can still manage to obtain the feedback of MLCC demand information faster than its competitors in other areas as the Group is based in the Pearl River Delta, one of the world's major electronic products processing centers, challenges will be posed to the Group's operation since the Pearl River Delta is one of the traditional regions in the Mainland China where labour supply is relatively tight. In addition, the fact that local governments have substantially increased the standards of minimum wage, social insurance and housing provident fund make the situation even more challenging. Despite of the continuous surge of labour cost in the Mainland China in a long run, the management believes that the pressures can be transformed into motivations through technological upgrades, innovative management measures, enhanced labour efficiency and accelerated industrial upgrade and replacement as well as industrial diversification, maximizing the benefits for the shareholders. The management is optimistic about the prospect of the Company.

## FINANCIAL REVIEW

### PRIMARY REVENUE

The revenue of the Group's MLCC business for 2010 was approximately RMB396.3 million, representing a 32.0% increase over that of 2009. This was mainly because the Group's management had put a greater deal of efforts in the market development, as well as the realization of capacity of new facilities investments.

### GROSS PROFIT

Gross profit of the Group's MLCC business for 2010 was RMB87.9 million, representing an increase of approximately 20.1% from that of 2009. The increase was mainly due to the growth in the revenue from MLCC sales.

### GROSS MARGIN

The gross margin of the Group's MLCC business for 2010 was 22.2%, representing a 2.2% decrease from the gross margin of 24.4% in 2009. This was mainly due to a drop in the average selling price of MLCC.

### OTHER INCOME AND GAIN

Other income and gain of the Group for 2010 were RMB7.4 million, representing a substantial decrease as compared to that of 2009. This was mainly due to the elimination of the factor of the disposal of SZ Eycom, the Group's wholly-owned subsidiary, resulting in an increase in investment gain of RMB9.7 million in year 2009, which offset the increase in lease income of investment properties for the period.

### SELLING AND DISTRIBUTION COSTS

The selling and distribution costs of the Group for 2010 were RMB10.3 million, representing a 7.4% increase over that of 2009. This was mainly due to the increasing input in the market for the increase in market share.

### ADMINISTRATIVE EXPENSES

The administrative expenses of the Group for 2010 were RMB18.2 million, representing a 7.6% decrease as compared to that of 2009. This was mainly due to write-off of the social insurance expenses of RMB2.8 million which were provided over 2 years but not yet payable during the year.

### RESEARCH AND DEVELOPMENT COSTS

The research and development costs of the Group for 2010 were 9.4 million, representing a 51.8% surge over that of 2009. This was mainly due to the upgrade of the core competitiveness of the Company's products, as well as a greater research and development engagement at this moment in the hi-tech MLCC products worldwide.

## OTHER EXPENSES

Other expenses of the Group for 2010 were 7.6 million, representing a 7.0% decrease from that of 2009. This was mainly due to the option expenses in 2010 dropped approximately by RMB1.0 million as compared to that of 2009.

## FINANCE COSTS

The finance costs of the Group for 2010 were RMB7.1 million, representing a RMB5.4 million increase over that of 2009. This was mainly due to the fact that: 1. an increase in interest expenses was incurred by the increased bank loans during the year; 2. as the credit policy of banks was tightened in 2010, an additional credit utilization payment was required in order to secure the bank credit.

## INCOME TAX EXPENSES

Income tax expenses of the Group for 2010 amounted to approximately RMB8.7 million, representing an increase of RMB6.6 million from that of 2009. The reason for the substantial increase in the income tax expenses included: 1. a write back for corporate income tax of RMB3.7 million was reversed in 2009, but there was no more such tax related reversal in 2010. At the same time, as the gain from the disposal of a subsidiary of RMB9.7 million in 2009 was not taxable. It was excluded from the impact of the above events, the effective income tax paid in 2009 was RMB6.8 million while the taxable profit and effective tax rate were RMB34.5 million and 20.2% respectively. 2. Since Hong Kong Eyang Holdings (Group) Co., Ltd., a subsidiary which has an applicable income tax rate of 25% for being a resident enterprise for the purpose of income tax in the Mainland China, had recorded a greater earning due to an increase in trading business, representing an increase in income tax of approximately RMB1.2 million as compared to that of 2009, which had driven up the average tax liability of the Group.

A 15% preferential tax rate was applicable to Shenzhen Eyang Technology Development Co., Ltd., which is engaged in the Group's main business, and its subsidiary in Dongguan. In addition, the deferred income tax liabilities had to be recognized based on a 5% of the distributable profits recorded by the Group's subsidiaries located in the Mainland China in 2010. As a result, the effective income tax rate of the Group in 2010 was 20.4%, which is fairly in line with that of 2009 when the effect of those non-recurring factors are excluded.

## GEARING RATIO

The Group monitors its capital through gearing ratio, being net liabilities divided by capital and net liabilities. Net liabilities are determined as the aggregate of interest-bearing bank loans, trade and bills payables and other payables (excluding accruals and deferred income within one year) less cash and cash equivalent. Capital refers to the equity attributable to the owners of the parent. As at 31 December 2009 and 2010, the gearing ratio of the Group was approximately 21.1% and 23.4% respectively.

## PROPERTY, PLANT AND EQUIPMENT

The net carrying amount as at 31 December 2010 was RMB263.9 million, representing an increase of RMB18.6 million from that of 2009. The increase was mainly due to the combined impact of the following factors: 1. an amount of RMB13.9 million was reclassified to investments properties as a result of leasing out certain vacant properties by the Group; 2. the depreciation of the Group's property, plant and equipment of approximately RMB25.8 million for the period; and 3. the addition of MLCC manufacturing equipment of approximately RMB57.8 million in 2010 and also a construction expense on the new Anhui Jineyang plants of RMB7.6 million.

## INVESTMENT PROPERTIES

The Group's investment properties for 2010 amounted to RMB29.7 million, representing an increase of RMB13.3 million over that of 2009. This was mainly due to the increased demand for the Group's vacant properties as the Mainland China was among the first economies to recover from the global financial crisis.

## OTHER INTANGIBLE ASSETS

The other intangible assets of the Group for 2010 amounted to RMB1.37 million, representing a decrease of RMB0.17 million when compared to that of 2009. This was mainly due to the amortisation of intangible assets associated with the SAP management software.

## TRADE AND BILLS RECEIVABLES

The trade and bills receivables of the Group were mainly the amount due from the Group's MLCC customers. As at 31 December 2010, the net book values of trade and bills receivables were RMB153.1 million, representing an increase of 21.2% over that of 2009. The increase in trade and bills receivables was mainly attributable to the increase in sales revenue of the Group by 32% in 2010 over that of 2009.

## PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

As at 31 December 2010, prepayments, deposits and other receivables of the Group were RMB12.8 million, representing an increase of RMB4.3 million from that of 2009. This was mainly due to an increase in external prepayment of the material and equipment purchased and an increase in third party rental charges receivables and utility charges prepaid in 2010.

## CASH AND CASH EQUIVALENTS AND PLEDGES BANK DEPOSITS

As at 31 December 2010, cash and cash equivalents and pledges bank deposits of the Group were RMB66.6 million, representing an increase of RMB4.9 million from that of 2009. It was mainly due to the significant increase in income and enhancement of collection in trade and bills receivables.

## TRADE AND BILLS PAYABLES

As at 31 December 2010, the balance of the Group's trade payables was increased by approximately RMB9.4 million from that at the end of 2009, while the balance of bills payables decreased by RMB34.0 million. These were mainly due to: 1. the increase in the balance of trade payables as a result of an expanded production capacity and thus a corresponding growth in the purchase of raw materials as compared with previous years; 2. the bills payables of RMB34.0 million at the end of 2009 were issued to DG Eyang by SZ Eyang, DG Eyang discounted those bills payables to secure short term capital financing. As at the beginning of 2010, the bills payables were settled and there was no impact in respect of the above matters at the period end.

## DEFERRED INCOME, ACCRUALS AND OTHER PAYABLES

As at 31 December 2010, deferred income, accruals and other payables of the Group were RMB33.2 million, representing an increase of RMB6.6 million from that of 2009. The increase in deferred income, accruals and other payables was mainly due to the corresponding increase in year end bonus, which led to an increase in staff remuneration payables at the end of the year. At the same time, the expansion of production capacity, the outstanding amount of the purchase of fixed assets and the construction costs of Anhui Jineyang also increased as compared with that at the end of 2009.

## INTEREST-BEARING BANK LOANS

As at 31 December 2010, the Group had outstanding Interest-bearing bank loans of RMB110.7 million, representing an increase of RMB46.8 million over that of 2009, and the loans were mainly used to boost the production and sales of MLCC and maintain the Company's liquidity.

## CONTINGENT LIABILITIES

As at 31 December 2010, the Group had no material contingent liabilities.

## COMMITMENTS

As at 31 December 2010, the capital commitments of the Group were RMB14.9 million, representing a decrease of RMB4.7 million over that of 2009, which was mainly due to the decrease in the Group's purchase of equipment which had not yet been delivered.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

**Net current asset**

As at 31 December 2010, the Group had net current assets of approximately RMB127.3 million, including current assets of RMB343.8 million and current liabilities of RMB216.5 million.

**Cash flows**

| | For the year ended 31 December | |
|---|---|---|
| | **2010** | 2009 |
| | **RMB million** | RMB million |
| Net cash inflow/(outflow) from operating activities | **30.6** | (45.4) |
| Net cash outflow from investing activities | **(56.8)** | (71.4) |
| Net cash inflow from financing activities | **29.5** | 46.2 |
| Cash and cash equivalents at the end of year | **66.1** | 61.7 |

As at 31 December 2010, the Group's remaining balance of cash and cash equivalents increased by RMB4.9 million from that of 31 December 2009. It was mainly due to:

1) The Group's cash inflow from operating activities of RMB30.6 million, which was mainly due to the increase in trade receivables being offset by the significant increase in revenue and the decrease in bills payables;

2) The Group's net cash outflow from investing activities of RMB56.8 million, which was mainly due to the increase in expenditure for purchasing equipment and construction works.

3) Net cash inflow from financing activities of RMB29.5 million, which was due to the increase in bank loans.

**Banking facilities**

As at 31 December 2010, the Group had aggregate banking facilities of approximately RMB336.5 million, of which approximately RMB225.8 million had not been utilized.

**Foreign currency risk**

In 2010, the Group's sales were mainly denominated in RMB, US dollars and Hong Kong dollars, while its purchases were mainly denominated in RMB, US dollars, Hong Kong dollars and Japanese Yen. The trade receivables denominated in US dollars and Hong Kong dollars were greater than the trade payables denominated in US dollars and Hong Kong dollars. Meanwhile, the Group is exposed to risks in respect of trade payables denominated in Japanese Yen, but is basically not exposed to risks in respect of trade receivables denominated in Japanese Yen. In the event of vigorous fluctuation of the exchange rate, foreign currencies risk will exist to a certain extent.

**Staff**

For the year ended 31 December 2010, the Group had a total of 1,433 staff, whose remunerations and benefits are determined based on the 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 2010.

## CORPORATE GOVERNANCE

The Company has adopted the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") stipulated 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") to safe guard the values of the Company and promote the interests of stakeholders of the Company. The Board from time to time assesses the Company's practice of and compliance with the CG code to ensure a high standard of performance, transparency and accountability.

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 2010, 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 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 2010 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 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 2010 have been discussed, reviewed and approved by the Audit Committee.

## 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 2010.

## FINAL DIVIDEND

The Board recommends, subject to the approval of the shareholders of the Company at the forthcoming annual general meeting, the payment of a final dividend of HK3.0 cents (equivalent to approximately RMB2.5 cents) per ordinary share for the year ended 31 December 2010 (2009: HK2.6 cents, equivalent to approximately RMB2.29 cents). The final dividend will be paid on or about 13 June 2011 to shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 6 May 2011.

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 4 May 2011 to Friday, 6 May 2011 (both days inclusive), during which period no transfer of shares will be effected.

In order to be eligible to attend and vote at the forthcoming annual general meeting and to qualify for the proposed final dividend, unregistered holders of shares of the Company should lodge all share transfers, accompanied by the relevant share certificates, 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 Tuesday, 3 May 2011.

## 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, 18 March 2011

*As at the date of this announcement, the Board comprises Mr. Chen Weirong, Mr. Liao Jie and Mr. Xu Chuncheng as Executive Directors, Ms. Shuang Mei, Mr. Cheng Wusheng, 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.*