Chang

Tech Pro Technology Development Limited
德普科技發展有限公司

(incorporated in the Cayman Islands with limited liability)

Stock code : 03823

Annual Report 2009

Contents

Corporate Information

Executive directors

Mr. Yan Qixu (顏奇旭先生)
Ms. Xiang Xiaoqin (相小琴女士)
Ms. Kuang Lihua (匡麗華女士)
Mr. Liu Xinsheng (劉新生先生)
Mr. Li Wing Sang (李永生先生)

Independent non-executive directors

Mr. Xu Kangning (徐康寧先生)
Mr. Wong Chun Hung (黃鎮雄先生)
Ms. Lin Sufen (林素芬女士)

Company secretary

Mr. Ng Chi Ho Dennis (吳志豪先生)

Authorised representatives

Mr. Liu Xinsheng (劉新生先生)
Mr. Ng Chi Ho Dennis (吳志豪先生)

Members of the audit committee

Mr. Wong Chun Hung (黃鎮雄先生)
(Chairman of the committee)
Mr. Xu Kangning (徐康寧先生)
Ms. Lin Sufen (林素芬女士)

Members of the remuneration committee

Mr. Yan Qixu (顏奇旭先生)
(Chairman of the committee)
Mr. Wong Chun Hung (黃鎮雄先生)
Ms. Lin Sufen (林素芬女士)

Members of the nomination committee

Ms. Xiang Xiaoqin (相小琴女士)
(Chairman of the committee)
Mr. Xu Kangning (徐康寧先生)
Ms. Lin Sufen (林素芬女士)

Principal place of business in the PRC

Zouqu Village
Zouqu Town
Changzhou City
Jiangsu
PRC

Principal place of business in Hong Kong

Suites 2201–2203, 22nd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Auditor

CCIF CPA Limited
Certified Public Accountants
34th Floor, The Lee Gardens,
33 Hysan Avenue,
Causeway Bay,
Hong Kong

Legal advisers as to Hong Kong laws

Loong & Yeung
Suites 2201–2203, 22nd Floor
Jardine House
1 Connaught Place
Central
Hong Kong

Hong Kong branch share registrar and transfer office

Tricor Investor Services Limited
26th Floor, Tesbury Centre
28 Queen's Road East
Wanchai
Hong Kong

Company's website

www.techprotd.com

Principal banker

Agricultural Bank of China Changzhou Branch
Zou Qu Sub-Branch
(中國農業銀行常州市鄒區分理處)
96 Nan Da Jie, Zouqu Town, Wujin District
Changzhou City
Jiangsu Province
PRC

Corporate Profile

Tech Pro Technology Development Limited (the "Company"; together with its subsidiaries, the "Group") (stock code: 03823) is listed on the Main Board of The Stock Exchange of Hong Kong Limited. Headquartered in Changzhou, Jiangsu Province, the PRC, the Group principally engages in manufacturing and sales of aluminum electrolytic capacitors. In general, a capacitor is an energy storing device made of two parallel conducting plates separated by an insulating material — the "dielectric", which could be used in a wide range of electronic devices such as audio and video consumer electronic devices, power supply equipment, telecommunications equipment and home appliances.

In order to meet the needs of the customers, the Group manufactures a variety of capacitors with different specifications under the famous brand *Chang*. As at 31 December 2009, the Group manufactured 56 models of aluminum electrolytic capacitor products in total, comprising 37 models of lead wire type capacitors, 14 models of lug type capacitors and 5 models of screw type capacitors.

Renowned by its high quality products, the Group enjoys an extensive sales network in domestic and overseas markets such as Taiwan, Hong Kong, Turkey, Korea, Italy, Russia, etc. Its major customers include reputable domestic and international corporations.

On behalf of Tech Pro Technology Development Limited, I am pleased to present our annual report for the year ended 31 December 2009.

2009 is a difficult and challenging year for the Group. In the first half of the year, the impact of the international financial crisis on the domestic economy continued and market demand for electronic products decreased correspondingly. Although the Group had stepped up its effort in marketing activities and proactively introduced various complimentary new products to our customers in order to maintain both the domestic and overseas market share, we still recorded a loss in the first half of the year due to the effect of the financial tsunami. In the second half of the year, a series of economic stimulus policies with austerity measures implemented by the Central Government started to bear fruit and the number of orders from domestic and overseas clients increased immensely. Therefore, there was a significant turnaround in term of sales when the Group's marketing policy took effect. The Group gave full play to its strong production capacity and the loss recorded in the first half of the year had been fully set off by the revenue generated in the second half of the year. As a result, the Group recorded a profit for the year 2009.

Turnover and profit attributable to equity holders of the Company were approximately RMB314.6 million and approximately RMB6.2 million respectively in 2009, representing an increase of 32.4% and 100.0% respectively as compared with those in 2008.

Dividend

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2009.

Business Review

In 2009, the Group took various actions to deal with the change in market condition.

In order to consolidate the market share, the Group had put more effort in marketing activities, including proactive delivery of free new product samples to the customers. The marketing activities had successfully attracted orders from new clients, including a well-known Taiwan enterprise. As a result, sales of the Group increased 32.4% as compared with last year.

As the general economy recovered in the second half of 2009, number of orders received by the Group also increased substantially. Operating under a large production capacity, the Group adopted the policy to consolidate mass purchase of raw materials so that the costs of raw materials and supplementary materials were effectively controlled.

On 1 April 2009, Hai Te Wei Company Limited, a wholly-owned subsidiary of the Company, and Mr. Guan Zhilong entered into a sale and purchase agreement in relation to the proposed acquisition of the entire issued share capital of Han Zhang Company Limited, a company wholly-owned by Mr. Guan Zhilong, at a consideration of RMB90 million. Han Zhang Company Limited is the holding company of a subsidiary which is principally engaged in the production of V-chip capacitor products. Due to insufficient due diligence documents, the parties entered into a termination deed on 1 June 2009 and mutually agreed to terminate the said agreement with immediate effect. The Group is still interested in expanding its production in V-chip capacitor products and may consider to carry out another acquisition when the right opportunities arise.

On 11 November 2009, the Company entered into a placing agreement with Enlighten Securities Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a fully underwritten basis, 120,000,000 new shares in the Company (the "Placing Shares") to not fewer than six placees at a placing price of HK$0.143 per Placing Share (the "Placing"). The Placing had been successfully completed and the Placing Shares were issued on 2 December 2009. The net proceeds from the Placing, which is in the amount of approximately HK$16.9 million, will be used for general working capital of the Group and as funds for future development of the existing business of the Group and for future new investment.

On 4 December 2009, SunTech Resources Group Company Limited (the "Purchaser"), a wholly-owned subsidiary of the Company and Golden Well Capital Limited (the "Vendor") entered into a non-legally binding memorandum of understanding in relation to the proposed acquisition by the Purchaser of 60% interest in the issued share capital of Link Force Holdings Limited (the "Target") owned by the Vendor at a consideration of not more than HK$500 million. The Target and its subsidiaries will be engaged in the operation of the manufacturing, installation and maintenance of LED street lamps in the PRC. The Group wishes to expand its business through the proposed acquisition and apply its capacitor products into LED street lamps products, in order to penetrate into the area of environmental protection and energy saving business and industry.

Outlook

As the global economy is recovering gradually, the Group will seize the opportunity arising from market turnaround, try its best to identify development opportunity to enhance profitability. While countries around the world concern about the global warming issue, environmental problem and energy-saving are the main challenges being faced by both the developed and developing countries.

The Group will grasp every opportunity and continue to explore and expand new business on the basis of its existing business foundation so as to diversify its business. Accordingly, the Group intends to enter into the environmental protection and energy saving business through the acquisition of the Target as referred to under "Business Review" above.

On the basis of the rapid growth of the PRC's economy, the Chinese Government is devoted to develop and support environmental protection projects. Enterprises in the country has full command of the technical know-how of the LED production. The Group's business will be more diversified through this acquisition, which would create a brighter future and bring better return to our shareholders.

Acknowledge

On behalf of the Board, I would like to take this opportunity to extend my sincere gratitude to our shareholders, customers and business partners for their unwavering support, as well as the management team and all staff of the Group for their dedication and contribution in the past year.

Yan Qixu
Chairman

5 February 2010

Financial review

Turnover of the Group in 2009 was approximately RMB314.6 million which represents an increase of 32.4% or approximately RMB77.0 million as compared with that in 2008.

Attributed to the realization of the Group's marketing campaigns and economic stimulating policies implemented by the Central Government of the PRC, and a gradual economic recovery from the global financial tsunami experienced in the second half of 2009, the Group was able to obtain an expansion of orders from existing major customers and secure some new customers in the second half of 2009. Not only was the Group able to re-gain the lost ground in the first half of 2009, the recovery in the second half of the year was able to lift up the Group's turnover to the extent of a 32.4% increase for the whole year as compared to that of 2008.

The Group's turnover by products is shown in the following table:

	For the year ended 31 December			
	2008		2009	
	RMB'000	%	RMB'000	%
Lead wire type	189,514	79.8	212,499	67.5
Lug type and screw type	41,610	17.5	78,031	24.8
V-chip type	6,472	2.7	24,066	7.7

Sales of lead wire type capacitors increased by 12.1% from approximately RMB189.5 million in 2008 to approximately RMB212.5 million in 2009. Sales of lug type and screw type capacitors increased drastically by 87.5% from approximately RMB41.6 million in 2008 to approximately RMB78.0 million in 2009. The increase in sales for these two products was mainly attributed to substantial increase in orders from two major customers resulting from the economic recovery in the second half of 2009.

Sales of V-chip type capacitors in 2009 increased tremendously by 271.8% over the last year due to the substantial orders received from a new customer.

Percentage of the Group's sales by geographic areas is shown in the following table:

	For the year ended 31 December	
	2008	2009
	%	%
The PRC	80.2	60.5
Taiwan	10.4	27.3
Turkey	3.3	4.2
Korea	1.3	0.6
Others	4.8	7.4
	100	100

The Group had kept a good and stable relationship with its customers both in the PRC and overseas countries. The Group maintained its strategy to develop new clients with renowned brandnames in order to improve its client base. The Group had strengthened its marketing effort in overseas markets, which resulted in the increase in sales to Taiwan and Turkey. Sales generated from overseas markets had grown from approximately 19.8% of the total sales in 2008 to that of 39.5% in 2009.

Gross profit margin

The Group's gross profit margin for the year 2009 was approximately 13.4%. There was a significant drop compared with that of approximately 19.4% for the year 2008. This is because: (a) sales of the OEM products were denominated in USD but the costs of sales of the OEM products were denominated in RMB, so the gross profit margin was adversely affected by the revaluation of RMB against USD in 2009; (b) sales percentage of lug type and screw type capacitors on total sales increased from 17.5% in 2008 to 24.8% in 2009. These capacitors were of larger size and their gross profit margin was generally lower than the other product types. As their sales had significantly increased as compared to the sales in the last year, their lower gross profit margin would have an adverse impact on the Group's gross profit margin; and (c) increase in production expenses e.g. depreciation of plant and machinery due to additions of machineries and equipment, upward adjustment for wages and salaries, and increase in utility charges had led to a surge in cost of production. These increases in expenses, however, could not be passed on to the customers as there was no room for price increase of the Group's products. The Group had to absorbed these increases in expenses, which had squeezed the Group's gross profit margin.

Other revenue and income

For the year 2009, other revenue and income of the Group was approximately RMB3.8 million, which represents an increase of approximately 11.8% from approximately RMB3.4 million for the year 2008, primarily due to the reversal of impairment on trade receivables totalling RMB2 million during the year 2009.

Distribution costs

For the year 2009, distribution costs of the Group were approximately RMB7.3 million, which represents an increase of approximately 46% from approximately RMB5.0 million for the year 2008, primarily due to a marketing promotion expense of about RMB2 million for providing free sample products to potential customers.

Administrative expenses

For the year 2009, administrative expenses of the Group were approximately RMB20.5 million, which represents an increase of approximately 10.8% from approximately RMB18.5 million for the year 2008, primarily due to (i) the increase in salaries and welfare from increase in headcount and pay rise; and (ii) the increase in various professional fees and service charges.

Other operating expenses

For the year 2009, other operating expenses of the Group were approximately RMB1.2 million, which represents an decrease of approximately 69.2% from approximately RMB3.9 million for the year 2008. The decrease in other operating expenses was primarily due to the reduction in exchange loss.

Finance costs

For the year 2009, finance costs of the Group were approximately RMB6.7 million, which represents an decrease of approximately 23.0% from approximately RMB8.7 million for the year 2008, primarily due to the reduction in interest rate.

The profit attributable to equity holders of the Company for the year 2009 was approximately RMB6.2 million, representing an increase of approximately 100% as compared with RMB3.1 million in 2008.

Dividend

The Board did not recommend the payment of a final dividend for the year ended 31 December 2009.

Liquidity and Financial Resources

As at 31 December 2009, the Group had current assets of approximately RMB454.5 million (2008: approximately RMB315.7 million) and current liabilities of approximately RMB321.5 million (2008: approximately RMB140.3 million). The current ratio of the Group as at 31 December 2009 was approximately 1.4 (2008: 2.3). The decrease in current ratio was primarily due to the increase in trade and bills payable and the increase in short term bank borrowings.

As at 31 December 2009, the Group had cash and cash equivalents of approximately RMB24.3 million (31 December 2008: approximately RMB48.6 million), representing cash at banks and in hand of approximately RMB20.8 million (31 December 2008: RMB28.6 million) and time deposits with original maturity of less than three months of approximately RMB3.5 million (31 December 2008: RMB20 million). Total bank borrowings were approximately RMB110 million (31 December 2008: approximately RMB106 million), all of which were short term borrowings (31 December 2008: long term borrowings of RMB60 million and short term borrowings of RMB46 million). All of the Group's bank borrowings were subject to fixed interest rates and were denominated in RMB.

As at 31 December 2009, the gearing ratio (calculated by dividing total bank borrowings less cash and cash equivalent over total equity) of the Group was 30.5% (31 December 2008: 22.6%). The increase in gearing ratio as at 31 December 2009 as compared to that as at 31 December 2008 was principally attributable to the reduction in cash and cash equivalents held at 31 December 2009 over that of 31 December 2008.

Net cash generated from operating activities for the year was approximately RMB61.9 million (year ended 31 December 2008: RMB4.6 million).

Net cash used in investing activities for the year was approximately RMB60.4 million (year ended 31 December 2008: RMB78.7 million) after the offset between capital expenditure of approximately RMB25.3 million (year ended 31 December 2008: RMB57.6 million) used for enhancement of production facilities within the Group and increase in time deposits with maturity over three months of approximately RMB36.1 million (year ended 31 December 2008: RMB23.9 million) as well as the bank interest income of approximately RMB725,000 (year ended 31 December 2008: RMB2.7 million).

Net cash used in financing activities for the year was approximately RMB25.8 million (year ended 31 December 2008: RMB1.5 million generated from financing activities), including inception of bank loans of RMB195 million (year ended 31 December 2008: RMB3.0 million) and the payment of interest of approximately RMB6.7 million (Year ended 31 December 2008: RMB8.7 million), increase in restricted bank deposits of RMB43.1 million (year ended 31 December 2008: decrease of RMB20.0 million).

The Board believes that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Exchange Risk Exposure and Contingent Liabilities

The Group's sales were principally denominated in RMB, Hong Kong Dollars and US Dollars, with the majority of which denominated in RMB. Although the Group may be exposed to foreign currency exchange risks, the Board does not expect future currency fluctuations to materially impact the Group's operations. The Group had not adopted formal hedging policies and no instruments had been applied for foreign currency hedging purposes during the year under review.

As at 31 December 2009, the Group had no contingent liabilities.

Capital Commitment

As at 31 December 2009, the capital commitments in respect of the purchase of property, plant and equipment and injection of capital in a subsidiary were approximately RMB1.5 million (2008: approximately RMB28.9 million) and RMB1.3 million (2008: Nil) respectively.

Employee information

As at 31 December 2009, the Group had over one thousand employees, the majority of whom stationed in the PRC. Total employee remuneration for the year amounted to RMB31.7 million (2008: RMB27.2 million). The Group adopts a competitive remuneration package for its employees. Promotion and salary increments are assessed based on a performance related basis. Share options may also be granted to staff with reference to the individual's performance.

Charge on assets

As at 31 December 2009, none of the Group's buildings (2008: net book value of approximately RMB3.4 million) and restricted bank deposits of approximately RMB53.1 million (2008: approximately RMB10.0 million) were pledged to secure banking facilities granted to the Group.

Material acquisitions and disposal of subsidiaries and associated companies

On 1 April 2009, Hai Te Wai Company Limited, a wholly-owned subsidiary of the Company, and Mr. Guan Zhilong entered into a sale and purchase agreement in relation to the proposed acquisition of the entire issued share capital of Han Zhang Company Limited, a company wholly-owned by Mr. Guan Zhilong, at a consideration of RMB90 million. Due to insufficient due diligence documents, the parties entered into a termination deed on 1 June 2009 and mutually agreed to terminate the said agreement with immediate effect. For further details, please refer to the announcements of the Company dated 6 April 2009 and 1 June 2009 respectively.

On 4 December 2009, SunTech Resources Group Company Limited (the "Purchaser"), a wholly-owned subsidiary of the Company and Golden Well Capital Limited (the "Vendor") entered into a non-legally binding memorandum of understanding in relation to the proposed acquisition by the Purchaser of 60% interest in the issued share capital of Link Force Holdings Limited owned by the Vendor at a consideration of not more than HK$500 million. For further details, please refer to the announcement of the Company dated 4 December 2009.

Save as disclosed above, during the year ended 31 December 2009, there was no material acquisition and disposal of subsidiaries and associated companies by the Group.

Directors and Senior Management

Directors

Executive directors

Mr. Yan Qixu (顏奇旭) (alias 顏琦旭), aged 48, is the Chairman of the Board and an executive director of the Company. He is currently also a director of a number of subsidiaries of the Company. He is responsible for the Group's overall strategic planning and overall general administration. He completed a training course for senior professional managers and an advanced course for outstanding leaders at Tsing Hua University in 2005. He obtained the senior economist qualification in November 2006 granted by Jiangsu Department of Personnel (江蘇省人事廳) recognising his knowledge and practical experience in economic management. Mr. Yan was awarded the honour of Outstanding Entrepreneur of Changzhou (常州市優秀企業家) by the People's Government of Changzhou (常州市人民政府) in February 2007. Mr. Yan joined the Group in 1993 as the chairman and general manager of Huawei Electronics. Mr. Yan has over 20 years' experience in the capacitor industry. He worked in Changzhou Electrolytic Capacitor Plant (常州市電解電容器廠) as a technician from 1980 to 1986, served as the person-in-charge of Wujin Zouqu Wireless Electronics Component Factory (武進縣鄒區無線電元件廠), responsible for overseeing the overall business operations and the overall strategic planning from 1987 to 2003, and as the chairman of Jiangsu Huawei Century Electronics Group Co., Ltd. (江蘇華威世紀電子集團有限公司) since 2003 up to now. Mr. Yan was also appointed as director of Changzhou Huawei Reflective Material Company Limited in 2003. Saved as disclosed above, Mr. Yan did not hold any directorship in any listed public company in the last three years. He is one of the controlling shareholders (as defined under the Listing Rules) and is the spouse of Ms. Xiang Xiaoqin. Mr. Yan is a director of Tong Heng Company Limited which is a controlling shareholder (as defined under the Listing Rules) of the Company.

Ms. Xiang Xiaoqin (相小琴), aged 45, is an executive director of the Company. She is also currently a director of Changzhou Huawei Electronics Co., Ltd. (常州華威電子有限公司) ("Huawei Electronics"), Changzhou Huawei Capacitors Co., Ltd. (常州華威電容器有限公司) ("Huawei Capacitors) (formerly known as Changzhou Huaqiang Electronics Co., Ltd. ("常州華強電子有限公司), South Huawei Electronics (Shenzhen) Co., Ltd. ("South Huawei"), all of which are subsidiaries of the Company. She is responsible for assisting the Chairman and the Group's overall financial management. She completed a training course for senior professional managers at Tsing Hua University in 2005. She obtained the senior economist qualification in November 2006 granted by Jiangsu Department of Personnel (江蘇省人事廳) recognising her knowledge and practical experience in economic management. Ms. Xiang joined the Group in 1999 as the deputy general manager of Huawei Capacitors responsible for assisting the general manager and overseeing the purchase and financial matters. Ms. Xiang has over 10 years' experience in the capacitor industry. She worked in Jiangsu Huawei Century Electronics Group Co., Ltd. (江蘇華威世紀電子集團有限公司) during the period between 1987 and 2004 responsible for assisting the chairman. Ms. Xiang was also appointed as director of Changzhou Huawei Reflective Material Company Limited (常州華威反光材料有限公司) in 2003 responsible for assisting the general manager and overseeing the purchase and financial matters. Saved as disclosed above, Ms. Xiang did not hold any directorship in any listed public company in the last three years. She is one of the controlling shareholders (as defined under the Listing Rules) and is the spouse of Mr. Yan Qixu.

Ms. Kuang Lihua (匡麗華), aged 47, is an executive director of the Company. She is responsible for the Group's overall financial management. Ms. Kuang graduated from Nanjing University (南京大學) specializing in public relationship in 1995. She is a registered tax agent of the PRC. Ms. Kuang has over 10 years' experience in the field of accounting and auditing. Prior to joining Huawei Electronics in May 2004, she worked in Changzhou Zhongrui Accounting Firm (常州中瑞會計師事務所) from March 1995 to December 2001 and Changzhou Kailai Accounting Firm (常州開來聯合會計師事務所) from January 2002 to April 2004. Ms. Kuang joined the Group in 2004 as the chief financial controller of Huawei Electronics and is currently the director of Huawei Electronics and Huaqiang Electronics, both of which are subsidiaries of the Company. Saved as disclosed above, Ms. Kuang did not hold any directorship in any listed public company in the last three years.

Mr. Liu Xinsheng (劉新生), aged 41, is an executive director of the Company. He is responsible for the Board's general affairs. Mr. Liu graduated from Nanjing Audit College (南京審計學院) specializing in accounting in 1991. He is a registered international internal auditor, a registered tax agent of the PRC and an accounting professional. Mr. Liu has over 10 years' experience in the field of accounting and auditing. Prior to joining the Group in February 2006 as the board secretary of Huawei Electronics, he worked in the auditing department of

Panda Electronics Group Company (熊貓電子集團公司) from July 1991 to December 1998, was the manager of the auditing department of Jiangsu Technology Import and Export Company (江蘇技術進出口公司) from January 1999 to February 2003, the general manager of auditing and legal department and cost control department of Nanjing Chixia Development Company Limited (南京棲霞建設股份有限公司) from February 2003 to February 2006. Mr. Liu is currently the director of Huawei Electronics and Huawei Capacitors. Saved as disclosed above, Mr. Liu did not hold any directorship in any listed public company in the last three years.

Mr. Li Wing Sang (李永生), aged 52, has been appointed as executive director of the Company on 11 December 2009. He has extensive marketing and management experience in the fields of household appliance which are in senior management positions. He holds a bachelor degree from Kobe University of Commerce, Japan. He is currently an executive director of Siberian Mining Group Company Limited, a company listed on the Main Board of the Stock Exchange and China Electric Power Technology Holdings Limited, a company listed on the GEM Board of the Stock Exchange. Saved as disclosed above, Mr. Li did not hold any directorship in any listed public company in the last three years.

Independent non-executive directors

Mr. Xu Kangning (徐康寧), aged 53, is an independent non-executive director of the Company. He obtained his doctorate degree in economics at Fudan University. He has been the professor of the School of Economics and Management, Southeast University (東南大學經濟管理學院) since April 1996 and is now the dean of the same. He has obtained the first class award in the Award of Outstanding Result in Philosophy and Social Science of Jiangsu Province (江蘇省哲學社會科學優秀成果獎一等獎) and the third class award in the Award of Outstanding Result in Human Society Scientific Research of PRC High School (中國高校人文社會學研究優秀成果獎). He has enjoyed a special subsidy from the China State Council in recognition of his contribution to the development of education. Mr. Xu is an independent director of Nanjing Textiles Import & Export Corp., Ltd. (南京紡織品進出口股份有限公司) and Nanjing Chemical Fibre Co., Ltd. (南京化纖股份有限公司), both of which being companies listed on the Shanghai Stock Exchange, and Jinling Pharmaceutical Co., Ltd. (金陵藥業股份有限公司), a company listed on the Shenzhen Stock Exchange. He was also an independent director of Jiangsu Skyrun Corporation (江蘇開元股份有限公司), a company listed on the Shanghai Stock Exchange. He was appointed as an independent non-executive Director on 25 July 2007. Save as disclosed above, Mr. Xu did not hold any directorship in any listed public company in the last three years.

Mr. Wong Chun Hung (黃鎮雄), aged 36, is an independent non-executive director of the Company. He graduated from Hong Kong Baptist University with honor degree in accounting in 1995. Mr. Wong is an associate of Hong Kong Institute of Certified Public Accountants. Mr. Wong has over 10 years' experience in accounting, auditing and consulting, including semi-senior audit assistant and senior audit assistant of Cheng, Kwok & Chang, Certified Public Accountants from September 1996 to October 1998 and from October 1998 to December 1999 respectively, auditor of Moores Rowland Certified Public Accountants from March 2000 to May 2001, accountant of Nam Pei Hong Nominees Limited, a wholly-owned subsidiary of Hong Kong Pharmaceutical Holdings Limited, a listed company on the Main Board of the Stock Exchange, from May 2001 to March 2002, and a managing director of B&C Finance and Corporate Advisory Limited from November 2005 until now. There is no business relationship between the Group and B&C Finance and Corporate Advisory Limited. He was appointed as an independent non-executive Director on 25 July 2007. Save as disclosed above, Mr. Wong did not hold any directorship in any listed public company in the last three years.

Ms. Lin Sufen (林素芬), aged 69, is an independent non-executive director of the Company. She graduated from Tianjin University, majoring in wireless materials and electronic components. She has over 42 years' experience in the electronic industry and held various senior positions in the electronic related field in the PRC. During the period between August 1965 and February 1981, Ms. Lin worked as a technician and engineer in the technical division (工藝室) of China Electronics Engineering Design Institute (中國電子工程設計院). She worked in the components division (元件處) of the Department of Electronics (電子部), the Division of Basic Electronic Components (元器件局), the Section of Electronic Components & Equipments (基礎產品司) and the Department of Electrical & Mechanical Services (機電部) of the Chinese Academy of Electronics and Information Technology (中國電子科技集團公司電子科學研究院) as an engineer, senior engineer, deputy division chief (副處長) and division chief (處長) of the said departments/divisions/sections at different times during the period between 1981 and 1995. She is currently the deputy secretary of China Electronic Components Association. She was appointed as an independent non-executive Director on

25 July 2007. Saved as disclosed above, Ms. Lin did not hold any directorship in any listed public company in the last three years.

Senior management

Mr. Jin Xiao (金曉), aged 45, is the vice general manager of the Group. He is responsible for the Group's sales and marketing as well as customer relationship management and development. Mr. Jin obtained a degree of economic management from Correspondence College for Cadre, Party School of Jiangsu Committee of the Communist Party of China (中共江蘇省委黨校幹部函授學院) in 2002. Mr. Jin has over 20 years' experience in the capacitor industry. He joined the Group in 2003. Mr. Jin did not hold any directorship in any listed public company in the last three years.

Ms. Zhu Shengli (朱勝利), aged 57, is the general engineer of the Group. She is responsible for the Group's production technology management and research and development of new products. Ms. Zhu graduated from Xi'an Jiaotong University (西安交通大學) specializing in wireless components and materials in 1976. Ms. Zhu has over 27 years' experience in research of production technology and development of new products in the capacitor industry. Ms. Zhu worked in Nantong Tongfei Capacitor Company Limited (南通同飛電容器有限公司) from 1980 to 2002 and was responsible for product development and research. She then served as the general engineer in Jiguang Electronics Company of Shenzhen SDG Information Company Limited (深圳特發信息股份有限公司吉光電子分公司) during the period between August 2002 and January 2004. Ms. Zhu joined the Group in 2004. Ms. Zhu did not hold any directorship in any listed public company in the last three years.

Mr. Li Fuming (李福明), aged 46, is the head of operation supervision department of the Group. He is responsible for supervision and assessment of the Group's operation. Mr. Li has over 20 years' operation management experience in the capacitor industry. Prior to joining the Group in 1998, he worked in Jiangsu Changzhou Taining Electronics Company Limited (江蘇省常州泰寧電子有限公司) from 1980 to 1997 and was responsible for quality control, technology and production. Mr. Li did not hold any directorship in any listed public company in the last three years.

Mr. Ng Chi Ho Dennis (吳志豪), aged 51, is the company secretary and authorized representative of the Company. He holds a bachelor degree of commerce from the University of New South Wales, Australia and is a fellow and Certified Public Accountant (Practising) of the Hong Kong Institute of Certified Public Accountants. Mr. Ng is also a chartered accountant from the Institute of Chartered Accountant in Australia and an associate of the Hong Kong Institute of Chartered Secretaries. He has more than 20 years of extensive experience in accounting, auditing and corporate affairs. He joined the Group on 31 December 2009 and did not hold any directorship in any listed public company in the last three years.

Report of the Directors

The directors are pleased to present to the shareholders the annual report together with the audited financial statements for the year ended 31 December 2009.

Principal activities

The principal activities of the Company during the year were investment holding and those of the subsidiaries are set out in note 19 to the financial statements There were no significant changes in the nature of the Group's principal activities during the year.

Results and dividends

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 30.

The directors did not recommend the payment of final dividend for the year ended 31 December 2009.

Group financial summary

The summary of the results of the Group for the five years ended 31 December 2009 and the assets and liabilities of the Group as at 31 December 2005, 2006, 2007, 2008 and 2009 are set out on page 82.

Donations

Donations made by the Group during the year amounted to RMB670,000.

Property, plant and equipment

Details of movements in property, plant and equipment of the Group during the year are set out in note 16 to the financial statements.

Share capital

Details of the movements in the Company's share capital during the year are set out in note 29 to the financial statements.

Reserves

Details of movements in reserves of the Group and the Company during the year are set out in note 30 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves of the Company

The Company's reserves available for distribution to shareholders as at 31 December 2009 are set out in note 30 to the financial statements.

Emolument policy

A remuneration committee has been set up for reviewing the Group's emolument policy and structure for all remuneration of the directors and senior management of the Group, having regard to the Group's operating results, individual performance and comparable market practices.

The Company has adopted a share option scheme as incentive to directors and eligible employees, details of the scheme are set out in the section headed "Share option scheme" below.

Remuneration of directors and five highest paid individuals

Details of the emoluments of the directors and the top five highest paid individuals of the Group are set out in notes 9 and 10 to the financial statements.

Directors' interests in contracts

No contracts of significance to which the Company or any of its subsidiaries was a party and in which any director of the Company had a material interest subsisted at the end of the year or at any time during the year.

Directors and directors' service contracts

The directors of the Company who held office during the year were:

Executive directors:

Mr. Yan Qixu *(Chairman)*
Ms. Xiang Xiaoqin
Ms. Kuang Lihua
Mr. Liu Xinsheng
Mr. Shan Biao (resigned on 7 September 2009)
Mr. Li Wing Sang (appointed on 11 December 2009)

Independent non-executive directors:

Mr. Xu Kangning
Mr. Wong Chun Hung
Ms. Lin Sufen

The existing executive directors, Ms. Xiang Xiaoqin, Ms. Kuang Lihua, Mr. Liu Xinsheng, Mr. Li Wing Sang will retire at the forthcoming annual general meeting and, being eligible, will offer themselves for re-election at the said meeting.

The Company has received annual confirmations of independence from Mr. Xu Kangning, Mr. Wong Chun Hung and Ms. Lin Sufen and as at the date of this report still considers them to be independent.

Each of the executive directors has entered into a service contract for an initial term of 3 years commencing from 6 September 2007, which may be terminated by either party giving the other party not less than six months' prior notice in writing.

With the expiry of the service contract with each of the independent non-executive directors on 5 September 2009, a new service contract with each of the independent non-executive directors was entered into in the year ended 31 December 2009 to re-appoint each of the independent non-executive directors for another term of two years commencing from 6 September 2009, which may be terminated by either party by giving the other party at least one month's notice in writing.

Apart from the foregoing, no director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company, which is not determinable by the Company within one year without payment other than statutory compensation.

Biographical details of directors and senior management

Brief biographical details of directors and senior management are set out on pages 10 to 12.

Share option scheme

In order to attract and retain the eligible persons, to provide additional incentive to them and to promote the success of the business of the Group, the Company conditionally adopted a share option scheme (the "Scheme") on 26 July 2007 whereby the Board are authorised, at their absolute discretion and subject to the terms of the Scheme, to grant options to subscribe the shares of the Company (the "Shares") to, inter alia, any employees (full-time or part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group or any substantial shareholder of the Group. The Scheme became unconditional on 6 September 2007 and shall be valid and effective for a period of ten years commencing on 26 July 2007, subject to the early termination provisions contained in the Scheme.

An offer for the grant of options must be accepted within 7 days inclusive of the day on which such offer was made. The amount payable by each grantee of options to the Company on acceptance of the offer for the grant of options is HK$1.00. The subscription price of a Share in respect of any particular option granted under the Scheme shall be a price at the discretion of the Board, provided that it shall be at the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the options; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant of the options; and (iii) the nominal value of the Shares on the date of grant of the options.

The Company shall be entitled to issue options, provided that the total number of Shares which may be issued upon exercise of all outstanding options to be granted under the Scheme and any other share option scheme of the Company does not exceed 10% of the Shares in issue at the date when the Shares were first listed on the Stock Exchange. The Company may at any time refresh such limit, subject to in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, provided that the total number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme of the Company does not exceed 30% of the Shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of options granted to any grantee (including both exercised and outstanding options) under the Scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised at any time during a period which shall not exceed ten years from the date of grant subject to the provisions of early termination under the Scheme. There is no minimum period for which an option must be held before it can be exercised under the Scheme.

As at 31 December 2009, details of share options granted to Directors and employees under the Scheme and outstanding are:

Grantees	Date of Grant	Exercise period	Exercise price per share	Share options as at 1.1.2009	Granted during the year	Exercise during the year	Cancelled/ Lapsed during the year	Share options as at 31.12.2009
Directors								
Yan Qiyu	3.11.2009	3.11.2009 to 2.11.2019	HK$0.169	—	6,000,000	(6,000,000)	—	—
Xiang Xiaoqin	3.11.2009	3.11.2009 to 2.11.2019	HK$0.169	—	6,000,000	(6,000,000)	—	—
Kuang Lihua	3.11.2009	3.11.2009 to 2.11.2019	HK$0.169	—	6,000,000	(6,000,000)	—	—
Liu Xinsheng	3.11.2009	3.11.2009 to 2.11.2019	HK$0.169	—	6,000,000	(6,000,000)	—	—
Employee	3.11.2009	3.11.2009 to 2.11.2019	HK$0.169	—	6,000,000	(6,000,000)	—	—

All the options exercised during the year were exercised on the same date. The closing prices of the shares of the Company as at the trading day immediately before the date of grant and as at the trading day immediately before the date of exercise were HK$0.164 and HK$0.163 respectively. There was no vesting period for the share options granted.

On 19 July 2007, Tong Heng Company Limited, the sole shareholder of the Company at that time, agreed to enter into a call option deed to grant to China Construction Corporation, Hong Kong Branch an option to acquire from Tong Heng Company Limited the shares in the Company held by it, details of which are set out in note 4 under the following section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations".

Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations

As at 31 December 2009, the interests and short positions of the directors and/or chief executive of the Company in any shares, underlying shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) which require notification pursuant to Divisions 7 and 8 of XV of the SFO, or which are required, pursuant to section 352 of the Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

1. Interests and short position in the shares (the "Shares") of the Company

Name of Director	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Mr. Yan Qixu ("Mr. Yan")	Interest of controlled corporation *(Note 2)*	400,000,000 (L)	53.3%
	Interest of controlled corporation *(Note 4)*	24,000,000 (S)	3.2%
	Beneficial owner *(Note 5)*	6,000,000 (L)	0.8%
	Interest of spouse *(Note 2)*	6,000,000 (L)	0.8%
Ms. Xiang Xiaoqin ("Ms. Xiang")	Interest of controlled corporation *(Note 3)*	400,000,000 (L)	53.3%
	Interest of controlled corporation *(Note 4)*	24,000,000 (S)	3.2%
	Beneficial owner *(Note 5)*	6,000,000 (L)	0.8%
	Interest of spouse *(Note 3)*	6,000,000 (L)	0.8%
Ms. Kuang Lihua	Beneficial owner *(Note 5)*	6,000,000 (L)	0.8%
Mr. Liu Xinsheng	Beneficial owner *(Note 5)*	6,000,000 (L)	0.8%

Notes:

1. *The letters "L" and "S" denote a long position and a short position in the Shares respectively.*

2. *Mr. Yan is the beneficial owner of 69.69% of the issued shares in Tong Heng Company Limited ("Tong Heng") and therefore Mr. Yan is deemed, or taken to be, interested in the 400,000,000 Shares which are beneficially owned by Tong Heng for the purposes of the SFO. Mr. Yan is also a director of Tong Heng. Mr. Yan and Ms. Xiang are spouse. Therefore, Mr. Yan is deemed, or taken to be, interested in the 6,000,000 Shares which are personally and beneficially held by Ms. Xiang for the purposes of the SFO.*

3. *Ms. Xiang is the beneficial owner of 30.31% of the issued shares in Tong Heng and therefore Ms. Xiang is deemed, or taken to be, interested in the 400,000,000 Shares which are beneficially owned by Tong Heng for the purposes of the SFO. Mr. Yan and Ms. Xiang are spouse. Therefore, Ms. Xiang is deemed, or taken to be, interested in the 6,000,000 Shares which are personally and beneficially held by Mr. Yan for the purposes of the SFO.*

4. *Tong Heng has entered into a call option deed dated 19 July 2007 with China Construction Bank Corporation, Hong Kong Branch ("CCBCHK") pursuant to which Tong Heng agreed to grant a share option (the "Pre-IPO Share Option") to CCBCHK. Pursuant to the Pre-IPO Share Option, Tong Heng will transfer the option Shares (being the Shares held by Tong Heng which shall in aggregate be up to a maximum of 5% of the issued Shares on the Listing Date) to CCBCHK (or its nominee) if CCBCHK exercises the Pre-IPO Share Option. The Pre-IPO Share Option is exercisable from the period commencing immediately after the expiry of a 6-month period after the Listing Date and up to the last day of the 60th month after the Listing Date (both days inclusive) at a price equal to the price under the Share Offer, subject to adjustments.*

5. *Shares were issued on exercise of share options granted during the year, details of which are set out in the section headed "Share option scheme" above.*

2. Long position in the ordinary shares of associated corporation

Name of Director	Name of associated corporation	Capacity	Number of shares held	Percentage of interest
Mr. Yan	Tong Heng	Beneficial owner	6,969 ordinary shares	69.69%
Ms. Xiang	Tong Heng	Beneficial owner	3,031 ordinary shares	30.31%

Save as disclosed above, as at 31 December 2009, none of the directors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Interests and short positions of substantial shareholders in shares, underlying shares and debentures of the Company

As at 31 December 2009, so far as is known to the directors, the following persons (other than the directors or chief executive of the Company), who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, were as follows:

1. Long position in the Shares

Name of Shareholders	Capacity/Nature	No. of Shares	Percentage of issued share capital of the Company
Tong Heng	Beneficial owner	400,000,000	53.33%

2. Interests and short positions in underlying Shares

Name	Capacity	Description of equity derivatives	Number of underlying Shares
Tong Heng	Beneficial owner	share option *(Note 2)*	24,000,000 Shares (S)
CCBCHK	Beneficial owner	share option *(Note 2)*	24,000,000 Shares (L)

Notes:

1. *The letters "L" and "S" denote a long position and a short position in the Shares.*

2. *Tong Heng has entered into a call option deed dated 19 July 2007 with CCBCHK pursuant to which Tong Heng agreed to grant the Pre-IPO Share Option to CCBCHK. Pursuant to the Pre-IPO Share Option, Tong Heng will transfer the option Shares (being the Shares held by Tong Heng which shall in aggregate be up to a maximum of 5% of the issued Shares on the Listing Date) to CCBCHK (or its nominee) if CCBCHK exercises the Pre-IPO Share Option. The Pre-IPO Share Option is exercisable from the period commencing immediately after the expiry of a 6-month period after the Listing Date and up to the last day of the 60th month after the Listing Date (both days inclusive) at a price equal to the price under the Share Offer, subject to adjustments.*

Save as disclosed above, and as at 31 December 2009, the directors of the Company were not aware of any persons (who were not directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to section 336 of the SFO, to be entered in the register referred to therein.

Directors' right to acquire shares or debentures

Apart from as disclosed under the section headed "Directors' and chief executive's interests and short positions in shares, underlying shares and debentures of the Company and its associated corporations" above, at no time during the year was the Company, its holding company, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or the chief executive of the Company or their associates to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Competing interests

None of the directors, and the substantial shareholders had any interests in any business, which competed with or might compete with the business of the group.

Major customers and suppliers

During the year, the Group's sales to the largest and five largest customers accounted for approximately 18.1% and 39.9% respectively of the Group's turnover while the Group's purchase from the largest and five largest suppliers accounted for approximately 14.5% and 47.7% respectively of the Group's purchase.

To the best knowledge of the directors, neither the directors, their associates, nor any shareholders, who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

Connected transactions

The related party transactions are set out in note 34 to the financial statements. All the related party transactions did not constitute connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under the Listing Rules.

Purchase, sale or redemption of the Company's listed securities

On 11 November 2009, the Company entered into a placing agreement with Enlighten Securities Limited (the "Placing Agent"), pursuant to which the Company has conditionally agreed to place, through the Placing Agent on a fully underwritten basis, 120,000,000 new shares in the Company (the "Placing Shares") to not fewer than six placees at a placing price of HK$0.143 per Placing Share (the "Placing"). The gross proceeds of the Placing amounted to approximately HK$17.16 million and the net proceeds from the Placing, after the deduction of the Placing commission and other related expenses were approximately HK$16.9 million. The Placing had been successfully completed and the Placing Shares were issued on 2 December 2009. For further details, please refer to the announcement of the Company dated 11 November 2009 and the Next Day Disclosure Return dated 2 December 2009.

Save as disclosed above, for the year ended 31 December 2009, neither the Company nor its subsidiaries had purchased, sold or redeemed any of the Company's listed shares.

Pre-emptive rights

There are no provisions for the pre-emptive rights under the Company's Articles of Association, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Corporate governance

Details of the corporate governance are set out in the section headed "Corporate Governance Report" in this report.

Post balance sheet date events

The were no significant post balance sheet date events.

Closure of register of members

The register of members of the Company will be closed from 29 March 2010 to 1 April 2010 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attending the annual general meeting of the Company to be held on 1 April 2010, unregistered holders of shares of the Company should ensure that all transfer of shares of the Company accompanied by the relevant share certificates and the appropriate transfer forms must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:00 p.m. on 26 March 2010.

Auditor

The financial statements for the year ended 31 December 2009 have been audited by CCIF CPA Limited, who shall retire and, being eligible, offer themselves for reappointment at the forthcoming annual general meeting.

On behalf of the Board
Mr. Yan Qixu
Chairman

The People's Republic of China, 5 February 2010

Code on corporate governance practices

The Company has applied the code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14 to the Listing Rules. The Company has complied with the code provisions of the Code for the year ended 31 December 2009, save for the exception explained in this report under the section headed "Chairman and chief executive officer".

Board of directors

The board of directors (the "Board") currently comprises eight directors including five executive directors and three independent non-executive directors:

Executive Directors:

Mr. Yan Qixu 顏奇旭先生 *(Chairman)*
Ms. Xiang Xiaoqin 相小琴女士
Ms. Kuang Lihua 匡麗華女士
Mr. Liu Xinsheng 劉新生先生
Mr. Li Wing Sang 李永生先生

Independent Non-Executive Directors:

Mr. Xu Kangning 徐康寧先生
Mr. Wong Chun Hung 黃鎮雄先生
Ms. Lin Sufen 林素芬女士

The Board is responsible for the leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance. The management was delegated the authority and responsibility by the Board for the management and administration of the Group. In addition, the Board has also delegated various responsibilities to the Board Committees. Further details of these committees are set out below in this report. All Board members have separate and independent access to the Company's management to fulfil their duties, and upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expenses. All directors also have access to the company secretary who is responsible for ensuring that the Board procedures, and all applicable rules and regulations, are followed. An agenda and the accompanying relevant documents are distributed to the directors or members of the Board Committees with reasonable notice in advance of the meetings. Minutes of Board meetings and meetings of Board Committees, which recorded in sufficient details the matters considered by the Board or the Board Committees and decisions reached, including any concerns raised by the directors or dissenting views expressed, are kept by the company secretary and open for inspection by the directors.

Key information regarding the directors' academic and professional qualifications and other appointments are set out in the section headed "Directors and Senior Management" on pages 10 to 12 of this report. Except that Mr. Yan Qixu is the spouse of Ms. Xiang Xiaoqin, there is no other relationship among members of the Board.

Board Meetings and Attendance

The Board shall meet regularly and at least four times a year. The Board held four meetings during the year ended 31 December 2009. The attendance of the directors at the Board meetings is as follows:

	Attendance/ Meeting held
Mr. Yan Qixu 顏奇旭先生 *(Chairman)*	4/4
Ms. Xiang Xiaoqin 相小琴女士	4/4
Mr. Shan Biao 單標先生 (resigned on 7 September 2009)	1/4
Ms. Kuang Lihua 匡麗華女士	4/4
Mr. Liu Xinsheng 劉新生先生	4/4
Mr. Xu Kangning 徐康寧先生	3/4
Mr. Wong Chun Hung 黃鎮雄先生	4/4
Ms. Lin Sufen 林素芬女士	3/4
Mr. Li Wing Sang 李永生先生 (appointed 11 December 2009)	1/4

Independent non-executive directors

The Company has received from each of the independent non-executive directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive directors are independent to the Company.

Chairman and chief executive officer

Under code provision A.2.1 of the Code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company does not have any officer with the title of "chief executive officer". This deviates from the code provision A.2.1.

Mr. Yan Qixu, who acts as the chairman of the Company, is also responsible for overseeing the general operations of the Group. The Board will meet regularly to consider major matters affecting the operations of the Company. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company. The roles of the respective executive Directors and senior management who are in charge of different functions complement the role of the chairman and chief executive officer. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently.

The Company understands the importance to comply with the code provision A.2.1 and will continue to consider the feasibility to comply. If compliance is determined, appropriate persons will be nominated to assume the different roles of chairman and chief executive officer.

Appointment, re-election and removal of directors

Each of the executive directors of the Company has entered into a service contract with the Company for an initial term of three years commencing from 6 September 2007 and may be terminated by either party by giving not less than six months' prior written notice.

With the expiry of the service contract with each of the independent non-executive directors on 5 September 2009, a new service contract with each of the non-executive directors was entered into in the year ended 31 December 2009 to re-appoint each of the non-executive directors for another term of two years commencing from 6 September 2009, which may be terminated by either party by giving the other party at least one month's notice in writing.

Mr. Li Wing Sang, being an additional director appointed to the Board on 11 December 2009, will retire from office and offer himself for re-election at the forthcoming annual general meeting pursuant to Article 86(3) of the Articles.

In accordance with Article 87 of the Articles, at each annual general meeting one-third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. Any director appointed pursuant to Article 86(3) of the Articles shall not be taken into account in determining which director or the number of directors who are to retire by rotation in accordance with Article 87 of the Articles.

Ms. Xiang Xiaoqin, Ms. Kuang Lihua, Mr. Liu Xinsheng, Mr. Li Wing Sang will retire from office as directors by rotation at the forthcoming annual general meeting, and being eligible, offer themselves for re-election.

Model code set out in Appendix 10 to the Listing Rules

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. The Company has also adopted the Model Code for the relevant employees.

Having made specific enquiry of all directors, the directors have confirmed that they had complied with the Model Code of the Company during the year ended 31 December 2009. Moreover, no incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

Responsibilities of directors

All newly appointed directors received comprehensive, formal training on the first occasion of their appointments and were ensured to have a proper understanding of the businesses and development of the Group and that they were fully aware of their responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

To facilitate the directors to discharge their responsibilities, they are continuously updated with regulatory developments, business and market changes and the strategic development of the Group.

During the year ended 31 December 2009, Mr. Shan Biao resigned with effect from 7 September 2009 and Mr. Li Wing Sang was appointed to the Board on 11 December 2009. The other Board members had remained unchanged during the year.

Supply of and access to information

In respect of regular Board meeting, and so far as practicable in all other cases, an agenda and accompanying relevant documents are sent in full to all directors in a timely manner and at least 3 days before the intended date of a Board meeting.

All directors are entitled to have access to the Board minutes and related materials.

Audit committee

The Company established an Audit Committee on 26 July 2007 with written terms of reference in compliance with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The members of the Audit Committee consist of three independent non-executive directors, namely Mr. Wong Chun Hung, Mr. Xu Kangning and Ms. Lin Sufen. Mr. Wong Chun Hung who possesses a professional accounting qualification and relevant accounting experience, is the Chairman of the Audit Committee. The Audit Committee shall meet at least twice a year.

The written terms of reference of the Audit Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the Group's website.

During the financial year under review, the Audit Committee had met with the Company's external auditors, the Board and senior management. The Audit Committee has also reviewed the Group's internal controls and the Group's interim financial results for the six-month ended 30 June 2009. The Group's final results for the year ended 31 December 2009 have been reviewed by the Audit Committee before submission to the Board for approval. There is no disagreement between the directors and the Audit Committee regarding the selection and appointment of the external auditors.

The Audit Committee held four meetings during the year ended 31 December 2009. Details of the attendance of the Audit Committee meetings are as follows:

	Attendance/ Meeting held
Mr. Wong Chun Hung 黃鎮雄先生 *(Chairman)*	4/4
Mr. Xu Kangning 徐康寧先生	3/4
Ms. Lin Sufen 林素芬女士	3/4

The Company has not changed the external auditors in any of the preceding three years.

Auditors' remuneration

During the year ended 31 December 2009, the fee incurred for audit and non-audit services provided by the auditors to the Group is set out as follows.

Type of services	Fee paid/ payable RMB'000
Audit services	466
Non-audit services	—
	466

Nomination committee

The Company established a Nomination Committee pursuant to a resolution of the Directors passed on 26 July 2007. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointment of directors and management of Board succession and ensure that the candidates to be nominated as directors are experienced, high calibre individuals. The Nomination Committee consists of Ms. Xiang Xiaoqin, an executive director and two independent non-executive directors, namely Mr. Xu Kangning and Ms. Lin Sufen. Ms. Xiang Xiaoqin is the chairman of the Nomination Committee.

The Nomination Committee shall meet at least once every year for reviewing the structure, size and composition of the Board, assessing the independence of independent non-executive directors of the Company and other related matters. The written terms of reference of the Nomination Committee adopted by the Board are in line with the provisions of the Code.

The Nomination Committee held two meeting during the year ended 31 December 2009. Details of the attendance of the Nomination Committee meetings are as follows:

	Attendance/ Meeting held
Ms. Xiang Xiaoqin 相小琴女士	2/2
Mr. Xu Kangning 徐康寧先生	2/2
Ms. Lin Sufen 林素芬女士	2/2

At the meetings, the Nomination Committee reviewed the structure, size and composition of the Board, assessing the independence of independent non-executive directors and other related matters of the Company.

Remuneration committee

The Company established a Remuneration Committee pursuant to a resolution of the Directors passed on 26 July 2007 in compliance with the code provisions of the Code on Corporate Governance Practices as set forth in Appendix 14 to the Listing Rules. The primary duties of the Remuneration Committee are to review and determine the terms of remuneration packages, bonuses and other compensation payable to the directors and other senior management. The Remuneration Committee comprises Mr. Yan Qixu, an executive director and two independent non-executive directors, namely Mr. Wong Chun Hung and Ms. Lin Sufen. Mr. Yan Qixu is the chairman of the Remuneration Committee.

The Remuneration Committee shall meet at least once every year to discuss remuneration-related matters. No executive director is allowed to be involved in deciding his or her own remuneration.

The written terms of reference of the Remuneration Committee adopted by the Board are in line with the code provisions of the Code and are available upon request and on the Group's website.

The Remuneration Committee held two meetings during the year ended 31 December 2009. Details of the attendance of the Remuneration Committee meetings are as follows:

	Attendance/ Meeting held
Mr. Yan Qixu 顏奇旭先生 *(Chairman)*	2/2
Mr. Wong Chun Hung 黃鎮雄先生	2/2
Ms. Lin Sufen 林素芬女士	2/2

At the meetings, the Remuneration Committee reviewed the remuneration policies of the directors and the senior executives and reviewed the remuneration packages and performance of the directors for the year 2009.

Directors' and auditors' responsibility for financial statements

All directors acknowledge their responsibility for preparing the financial statements for the year ended 31 December 2009. The auditors of the Company acknowledge their reporting responsibilities in the auditors' report on the financial statements for the year ended 31 December 2009. The directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the directors continue to adopt the going concern approach in preparing the financial statements.

Internal control

The Board has overall responsibility to maintain a sound and effective internal control of the Company to safeguard the shareholders' investments and the Company's assets. The Company will continue to review its internal control function on a regular basis.

The management has appointed an external independent consultancy firm to conduct a review during the year on the effectiveness of the system of internal controls of the Group, covering all material controls including financial, operational, compliance controls and risks management functions with recommendations for improvement. The recommendations have been reviewed by the Audit Committee and the Board. The Board has adopted the recommendations to enhance the Group's system of internal controls.

Communication with shareholders

The Company endeavours to maintain an on-going dialogue with shareholders and in particular, use annual general meetings or other general meetings to communicate with shareholders and encourage their participation.

The Chairman of the Board and chairman of Audit Committee will make themselves available at the annual general meeting to meet with shareholders. The Company will ensure that there are separate resolutions for separate issues at general meetings.

The 2009 annual general meeting of the Company will be held on 1 April 2010.

The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on its business in a timely manner, subject to relevant regulatory requirements.

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE SHAREHOLDERS OF
TECH PRO TECHNOLOGY DEVELOPMENT LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Tech Pro Technology Development Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 30 to 82, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

Auditor's responsibility (Continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 5 February 2010

Leung Chun Wa
Practising Certificate Number P04963

Consolidated Income Statement

For the year ended 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Turnover	5	314,596	237,596
Cost of sales		(272,424)	(191,475)
Gross profit		42,172	46,121
Other revenue and income	6	3,804	3,387
Distribution costs		(7,254)	(5,037)
Administrative expenses		(20,489)	(18,511)
Provision for impairment on trade receivables	21(b)	(2,625)	(8,568)
Other operating expenses		(1,192)	(3,929)
Operating profit		14,416	13,463
Finance costs	7	(6,722)	(8,712)
Profit before taxation	8	7,694	4,751
Income tax	11	(1,535)	(1,666)
Profit for the year		6,159	3,085
Attributable to:			
Equity holders of the Company	12	6,159	3,085
Earnings per share (RMB)	14		
— Basic and Diluted		1 cent	0.5 cent

The notes on pages 37 to 82 form an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Profit for the year attributable to equity holders of the Company	6,159	3,085
Exchange difference on translation of financial statements of a foreign subsidiary	4	—
Total comprehensive income for the year	6,163	3,085
Attributable to:		
Equity holders of the Company	6,163	3,085

The notes on pages 37 to 82 form an integral part of these financial statements.

Consolidated Statement of Financial Position

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	16	146,064	136,857
Lease prepayments	18(a)	1,883	1,925
Deposits for lease prepayments	18(b)	320	320
		148,267	139,102
Current assets			
Inventories	20	143,876	106,010
Lease prepayments	18(a)	42	42
Trade and bills receivables	21	136,130	108,870
Other receivables and prepayments	22	37,160	17,727
Income tax recoverable		—	520
Restricted bank deposits	23	53,050	9,950
Time deposits	23	63,500	43,950
Cash at banks and in hand	23	20,765	28,593
		454,523	315,662
Current liabilities			
Trade and bills payables	24	185,539	73,488
Other payables	25	22,194	17,878
Amounts due to directors	34(a)	3,231	2,596
Income taxes payable		504	306
Bank loans due within one year	26	110,000	46,000
		321,468	140,268
Net current assets		133,055	175,394
Total assets less current liabilities		281,322	314,496
Non-current liabilities			
Bank loans — due after one year	26	—	60,000
Net assets		281,322	254,496
CAPITAL AND RESERVES			
Share capital	29	7,140	5,820
Reserves	30	274,182	248,676
Total equity		281,322	254,496

Approved and authorised for issue by the board of directors on 5 February 2010

Yan Qixu	Xiang Xiaoqin
Director	*Director*

The notes on pages 37 to 82 form an integral part of these financial statements.

Statement of Financial Position

As at 31 December 2009

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Investments in subsidiaries	19	238,071	238,003
Current assets			
Other receivables and prepayments	22	60	34
Amounts due from subsidiaries	34(b)	26,749	7,523
Cash at banks and in hand	23	562	437
		27,371	7,994
Current liabilities			
Other payables	25	1,747	638
Amounts due to subsidiaries	34(c)	7,427	4,983
Amounts due to directors	34(a)	3,054	2,004
		12,228	7,625
Net current assets		15,143	369
Total assets less current liabilities		253,214	238,372
Net assets		253,214	238,372
CAPITAL AND RESERVES			
Share capital	29	7,140	5,820
Reserves	30	246,074	232,552
Total equity		253,214	238,372

Approved and authorised for issue by the board of directors on 5 February 2010

Yan Qixu	Xiang Xiaoqin
Director	*Director*

The notes on pages 37 to 82 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2009

	Share Capital RMB'000	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2008	5,820	147,567	6,894	—	42,783	16,064	(2,020)	48,401	265,509
Total comprehensive income for the year	—	—	—	—	—	—	—	3,085	3,085
Transfer	—	—	—	—	—	207	—	(207)	—
Dividend paid	—	—	—	—	—	—	—	(14,098)	(14,098)
At 31 December 2008 and at 1 January 2009	5,820	147,567	6,894	—	42,783	16,271	(2,020)	37,181	254,496
Equity settled share-based transactions	—	—	—	1,253	—	—	—	—	1,253
Total comprehensive income for the year	—	—	—	—	—	—	4	6,159	6,163
Shares issued upon exercise of share options	264	5,450	—	(1,253)	—	—	—	—	4,461
Shares issued under placing	1,056	14,045	—	—	—	—	—	—	15,101
Share issuing expenses	—	(152)	—	—	—	—	—	—	(152)
Transfer	—	—	—	—	—	550	—	(550)	—
At 31 December 2009	7,140	166,910	6,894	—	42,783	16,821	(2,016)	42,790	281,322

The notes on pages 37 to 82 form an integral part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Operating activities		
Profit before taxation	7,694	4,751
Adjustments for:		
Amortisation of lease prepayments	42	42
Depreciation of property, plant and equipment	15,697	11,439
Equity settled share-based expense	1,253	—
Impairment loss on trade receivables	2,625	8,568
Reversal of impairment on trade receivables	(2,065)	—
Interest expenses	6,722	8,712
Loss on disposal of property, plant and equipment	183	117
Interest income	(725)	(2,689)
Operating profit before changes in working capital	31,426	30,940
Increase in inventories	(37,866)	(36,965)
(Increase)/decrease in trade and bills receivables	(27,820)	14,220
Increase in other receivables	(19,433)	(2,603)
Increase/(decrease) in trade and bills payables	112,051	(4,063)
Increase in other payables	4,316	6,597
Cash generated from operations	62,674	8,126
PRC Income Tax paid	(1,385)	(3,501)
PRC Income Tax refunded	568	—
Net cash generated from operating activities	61,857	4,625
Investing activities		
Interest received	725	2,689
Proceeds from disposal of property, plant and equipment	259	92
Purchase of property, plant and equipment	(25,346)	(57,553)
Increase in time deposits with original maturity over three months at inception	(36,050)	(23,950)
Net cash used in investing activities	(60,412)	(78,722)
Financing activities		
Interest paid	(6,722)	(8,712)
Dividend paid	—	(14,098)
Share issuing expenses	(152)	—
Proceeds from the issue of new shares	19,562	—
Inception of bank loans	195,000	3,000
Repayment of bank loans	(191,000)	—
(Increase)/decrease in restricted bank deposits	(43,100)	19,960
Increase in amounts due to directors	635	1,369
Net cash (used in)/generated from financing activities	(25,777)	1,519

For the year ended 31 December 2009

	2009 RMB'000	2008 RMB'000
Net decrease in cash and cash equivalents	(24,332)	(72,578)
Cash and cash equivalents at beginning of year	48,593	121,171
Effect of foreign exchange rate changes	4	—
Cash and cash equivalents at end of year	24,265	48,593
Analysis of balances of cash and cash equivalents		
Cash and bank balances	20,765	28,593
Time deposits with original maturity less than three months at inception	3,500	20,000
	24,265	48,593

The notes on pages 37 to 82 form an integral part of these financial statements.

1. General information and basis of presentation

Tech Pro Technology Development Limited (the "Company") was incorporated in the Cayman Islands on 20 November 2006 as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its principal place of business is located at Zouqu Village, Zouqu Town, Changzhou City, Jiangsu in the People's Republic of China ("PRC"). The Company and its subsidiaries (collectively referred to as the "Group") are principally engaged in the manufacture and sale of aluminium electrolytic capacitors.

These consolidated financial statements are presented in Renminbi ("RMB") which is also the functional currency of the Company and its subsidiaries.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs"), and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of The Rules Governing the Listing of Securities on the Stock Exchange. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation

The consolidated financial statements for the year ended 31 December 2009 comprise the financial statements of the Company and its subsidiaries.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have a significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note (4).

2. Significant accounting policies (Continued)

(c) Application of new and revised Hong Kong Financial Reporting Standards

In the current year, the Group has applied the following new and revised Standards, Amendments and interpretations ("new and revised HKFRSs") issued by the HKICPA:

HKAS 1 (Revised 2007)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly-controlled Entity or Associate
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 (Amendments)	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfers of Assets from Customers
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2008, except for the amendment to HKFRS 5 that is effective for annual periods beginning or after 1 July 2009
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009 in relation to the amendment to paragraph 80 of HKAS 39

The adoption of these new and revised HKFRSs had no material effect on the results and financial position of the Group for the current or prior accounting years except for the impact as described as below:

HKAS 1 (Revised) Presentation of Financial Statements

As a result of the adoption of HKAS 1 (Revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expenses are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. The change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

2. Significant accounting policies (Continued)

(c) Application of new and revised Hong Kong Financial Reporting Standards (Continued)

HKFRS 8 Operating Segments

HKFRS 8, which will replace HKAS 14 "Segment Reporting", specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purpose of allocation resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. HKFRS 8 has not resulted in redesignation of the Group's reportable segments.

The Group has not early applied any of the following new and revised Standards, Amendments and Interpretations which have been issued but are not yet effective for annual periods beginning on 1 January 2009:

HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs 2008[1]
HKFRSs (Amendments)	Improvements to HKFRSs 2009[2]
HKAS 24 (Revised)	Related Party Disclosures[5]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
HKAS 32 (Amendments)	Classification of Rights Issues[4]
HKAS 39 (Amendments)	Eligible Hedged Items[1]
HKFRS 1 (Amendments)	Additional Exemptions for First-time Adopters[3]
HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions[3]
HKFRS 3 (Revised)	Business Combinations[1]
HKFRS 9	Financial Instruments[7]
HK(IFRIC)-Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[1]
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments[6]

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 July 2009 and 1 January 2010 as appropriate
[3] Effective for annual periods beginning on or after 1 January 2010
[4] Effective for annual periods beginning on or after 1 February 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 July 2010
[7] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

2. Significant accounting policies (Continued)

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

In the Company's financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2 (h)(ii)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Foreign currency translation

Foreign currency transactions during the year are translated at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates prevailing at the year end date. Exchange gains and losses are recognised in profit or loss, except those arising from foreign currency borrowings used to hedge a net investment in a foreign operation which are directly recognised in other comprehensive income.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Asset and liability items are translated into Renminbi at the foreign exchange rates ruling at the year end date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(f) Construction in progress

Construction in progress is stated at historical cost less impairment losses. Historical cost includes expenditure that is directly attributable to the development of the asset which comprises construction costs, amortization of land use rights, borrowing costs and professional fees incurred during the development period. On completion, the assets are transferred to buildings within property, plant and equipment or to investment properties.

No depreciation is provided for assets under construction. The carrying amount of an asset under construction is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

2. Significant accounting policies (Continued)

(g) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Buildings are self-use buildings.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives at the following rates per annum:

Buildings	4.5%
Plant and machinery	9%
Furniture and office equipment	18%
Electronic equipment	9%–18%
Motor vehicles	9%

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Impairment of assets

(i) Impairment of trade and other receivables

Trade and other receivables are stated at cost or amortised cost and are reviewed at each year end date to determine whether there is objective evidence of impairment. If any such evidence exists, any impairment loss is determined and recognised as follows:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, any impairment loss is determined and recognised as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

2. Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

If in a subsequent period, the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade and bills receivables included within the trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade and bills receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each year end date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— lease prepayments; and

— investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e., a cash-generating unit).

2. Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(i) Lease prepayments

Lease prepayments represent cost of land use rights paid to government authorities in the PRC. Land use rights are carried at cost less accumulated amortisation cost and any impairment losses. Amortisation is charged to the income statement on a straight-line basis over the lease term.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter measured at amortised cost using the effective interest method, less provision for impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment loss for bad and doubtful debts.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, deemed deposits with banks and other financial institutions, and short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(l) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2. Significant accounting policies (Continued)

(m) Inventories

Inventories are carried at the lower of cost and net realizable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost, any difference between the amount initially recognised (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings, using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(o) Borrowing costs

Borrowing costs are expensed in income statement in the period in which they are incurred, except to the extent that they are capitalized as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalization of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

2. Significant accounting policies (Continued)

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e., the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for the loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit and loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(p)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee, that is, the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. Significant accounting policies (Continued)

(q) Employee benefits

(i) Short term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to appropriate local defined contribution retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred, except to the extent that they are included in the cost of inventories not yet recognised as an expense.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year under review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2. Significant accounting policies (Continued)

(r) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the year end date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary differences or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the year end date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each year end date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

2. Significant accounting policies (Continued)

(r) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

— the same taxable entity; or

— different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(t) Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalized includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised as an expense in the period in which it is incurred.

(u) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's consolidated financial statements in the period in which the dividends are approved by the Company's shareholders.

(v) Government grants

Government grants are recognised in the statement of changes in financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted in arriving at the carrying amount of the asset and consequently are recognised in profit or loss over the useful life of the asset of reduced depreciation expenses.

2. Significant accounting policies (Continued)

(w) Recognition of revenue

Revenue is measured at the fair value of the consideration received or receivable. Provided that it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue is recognised when goods are delivered which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) Interest income

Interest income is recognised on a time-proportion basis using the effective interest rate.

(iii) Government grants

Unconditional government grants are recognised in the income statement as revenue when the grants become receivable.

(x) Related parties

Parties are considered to be related to the Group if:

(i) the party has the ability, directly, or indirectly through one or more intermediaries, to control the Group or excise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of the key management personnel of the Group or its parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close member of the family of any individual referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group, or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. Significant accounting policies (Continued)

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3. Financial instruments and financial risk management

(a) Categories of financial instruments

	2009 RMB'000	2008 RMB'000
Financial assets		
Trade and bills receivables	136,130	108,870
Other receivables and prepayments	18,479	14,083
Restricted bank deposits	53,050	9,950
Time deposits	65,500	43,950
Cash at banks and in hand	20,765	28,593
	293,924	205,446
Financial liabilities		
Trade and bills payables	185,539	73,488
Other payables	22,194	17,878
Amounts due to directors	3,231	2,596
Bank loans	110,000	106,000
	320,964	199,962

(b) Financial risk management and policies

Exposure to credit, liquidity, interest rate, commodity price, business and foreign currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

3. Financial instruments and financial risk management (Continued)

(b) Financial risk management and policies (Continued)

(i) Credit risk

Trade and other receivables

The Group's credit risk is primarily attributable to trade and other receivables. Management has a credit policy and the exposures to these credit risks are monitored on an ongoing basis. Individual credit evaluations are performed on all customers' past history of making payments when due and current ability to pay, and taking into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are generally due within 30 to 180 days from the date of billing. Moreover, extended credit terms are granted to certain customers depending on the credit assessment carried out by the management on an individual basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. Further quantitative analysis in respect of the Group's exposure to credit risk arising from trade and other receivables are set out in note 21.

At the balance sheet date, the Group has a certain concentration of credit risk as 1% (2008: 23%) and 28% (2008: 41%) of the total trade receivables were due from the Group's largest customer and the five largest customers as at 31 December 2009, respectively. The Group has no significant credit risk with any of these customers since the Group maintains stable business relationships with these large customers. The Group performs ongoing credit evaluations of its customers' financial condition and does not require collateral on trade receivables. The Group does not provide any guarantee which would expose the Group to credit risk.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Deposits with banks

The Group mitigates its exposure to credit risk by placing deposits with financial institutes with established credit ratings. Given the high credit ratings of the banks, management does not expect any counterparty to fail to meet its obligations.

3. Financial instruments and financial risk management (Continued)

(b) Financial risk management and policies (Continued)

(ii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutes to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the year end date of the Group's and Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on current rates at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

The Group

	2009					2008				
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000
Bank loans	110,000	110,000	110,000	—	—	106,000	119,954	46,000	—	73,954
Trade and bills and other payables	207,733	207,733	207,733	—	—	91,366	91,366	91,366	—	—
Amounts due to directors	3,231	3,231	3,231	—	—	2,596	2,596	2,596	—	—
	320,964	320,964	320,964	—	—	199,962	213,916	139,962	—	73,954

The Company

	2009			2008		
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000
Other payables	1,747	1,747	1,747	638	638	638
Amounts due to subsidiaries	7,427	7,427	7,427	4,983	4,983	4,983
Amounts due to directors	3,054	3,054	3,054	2,004	2,004	2,004
	12,228	12,228	12,228	7,625	7,625	7,625

3. Financial instruments and financial risk management (Continued)

(b) Financial risk management and policies (Continued)

(iii) Interest rate risk

Interest rate profile

The Group's interest rate risk primarily derives from bank borrowings and time deposits and cash at banks. All of the bank loans of the Group were fixed rate instruments and were insensitive to any change in market interest rates. The Group did not use derivative financial instruments to hedge its debt obligations. The following table details the interest rate profile of the Group's and the Company's interest-generating financial assets and interest-bearing financial liabilities at the year end date:

The Group

	2009		2008	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Bank borrowings	5.31%–5.84%	110,000	5.58%–8.21%	106,000
Cash at banks and cash equivalents	0.36%	24,265	0.35%–0.72%	48,593
Time deposits with original maturity over three months	1.98%	60,000	1.98%–3.51%	23,950
Restricted time deposits	0.36%	53,050	0.35%–0.72%	9,950

The Company

	2009		2008	
	Effective interest rate	RMB'000	Effective interest rate	RMB'000
Cash at banks	0.001%	562	0.01%	437

Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease the Group's profit after tax and retained profits for the year by approximately RMB325,000 (2008: RMB236,000). Other components of equity would not be affected (2008: Nil) by the changes in interest rates.

The sensitive analysis above has been determined assuming that the change in interest rates had occurred at the year end date and had been applied to the financial instruments exposed to interest rate risk as if they had been in existence at the beginning of the year. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual year end date. The analysis is performed on the same basis for 2008.

(iv) Commodity price risk

The major raw material used in the production of the Group's products included aluminium foil and aluminium case. The Group is exposed to fluctuations in the prices of these raw materials which are influenced by global as well as regional supply and demand conditions. Fluctuations in the prices of raw materials could adversely affect the Group's financial performance. The Group historically has not entered into any commodity derivative instruments to hedge the potential commodity price changes.

3. Financial instruments and financial risk management (Continued)

(b) Financial risk management and policies (Continued)

(v) Business risk

The Group's sales of aluminium electrolytic products are primarily to several major customers. The Group has a certain concentration of business risk as 40% (2008: 34%) of the total sales were made to the Group's five largest customers. In the event that these customers cease to purchase from the Group and the Group could not secure orders from other customers, the Group's turnover and profitability could be adversely affected.

(vi) Foreign currency risk

The Group is exposed to currency risk primarily through its trade receivables and bank deposits that are denominated in currencies other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Hong Kong dollars ("HK$") and United State dollars ("US$").

Exposure to currency risk

The following table details the Group's and the Company's major exposure at the year end date to currency risk arising from forecast transactions or recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Cash and cash equivalents				
HK$	5,868	1,405	562	437
US$	2,210	69	—	—
Trade receivables				
HK$	4,855	9,046	—	—
US$	28,788	27,857	—	—

3. Financial instruments and financial risk management (Continued)

(b) Financial risk management and policies (Continued)

(vi) Foreign currency risk (Continued)

Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the year end date. The sensitivity analysis includes trade receivables and bank deposits where the denomination of the balances is in a currency other than the functional currency.

	2009			2008		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
HK$	5%	536	—	5%	523	—
	(5%)	(536)	—	(5%)	(523)	—
US$	5%	1,550	—	5%	1,396	—
	(5%)	(1,550)	—	(5%)	(1,396)	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the year end date and had been applied to each of the Group entities' exposure to currency risk for non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

(vii) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments to it, in light of change in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2009 and 2008.

The Group monitors its capital structure on the basis of gearing ratio. This ratio is calculated as debt divided by total equity. The Group defines debt as interest-bearing bank loans and bills payable.

3. Financial instruments and financial risk management (Continued)

(b) Financial risk management and policies (Continued)

(vii) Capital management (Continued)

The gearing ratios as at 31 December 2009 and 2008 were as follows:

		The Group	
	Note	2009 RMB'000	2008 RMB'000
Bank loans	26		
— Short-term bank loans		110,000	46,000
— Long-term bank loans		—	60,000
Bills payable	24	100,950	39,150
Total debt		210,950	145,150
Less: Cash and cash equivalents	23	(24,265)	(48,593)
Time deposits with original maturity over three months	23	(60,000)	(23,950)
Restricted time deposits	23	(53,050)	(9,950)
Net debt		73,635	62,657
Total equity		281,322	254,496
Gearing ratio		26.2%	24.6%

Neither the Company nor any of it subsidiaries are subject to externally imposed capital requirements.

(viii) Estimation of fair values

The following summarises the major methods and assumptions used in estimating the fair values of financial instruments:

(i) Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

(ii) Liquid or/and short-term assets and liabilities

For financial assets and financial liabilities that are liquid or having a short term maturity it is assumed that the carrying amounts approximate their fair values. The assumption is applied to trade other receivables, trade and other payables, cash and cash equivalents without a specific maturity.

4. Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period are discussed below.

(a) Useful lives and residue values of property, plant and equipment

Useful lives of the Group's property, plant and equipment are defined as the period over which they are expected to be available for use by the Group. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment or similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, and it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives; and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciation lives and residual values and therefore depreciation expense in future periods.

(b) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts are determined based on value-in-use calculations or market valuations. In determining the value in use, expected cash flows generated by the asset are discounted to their present values, which require significant judgement relating to such items such as level of turnover and amount of operating costs. No impairment was provided during the year.

(c) Impairment of trade receivable and other receivables

The Group makes provision for impairment of trade and other receivables based on the evaluation of collectibility and ageing analysis of accounts and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history and subsequent settlements of each customer up to date of approval of the financial statements. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

(d) Net realisable value of inventories

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs to completion and selling expenses. These estimates are made with reference to the aged inventories analyses, projection of expected sale volume and management experience and judgement. Based on this review, write down of inventories will be made when the carrying amounts to inventories decline below their estimated net realisable value. Due to changes in market conditions, actual sale ability of goods may be different from estimation and profit or loss could be affected by differences in this estimation.

(e) Income taxes

The Group is subject to income taxes in several jurisdictions. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

5. Turnover

The Group is principally engaged in the manufacture and sale of aluminium electrolytic capacitors. Turnover represents the net invoiced value of goods sold less returns and allowances.

	2009 RMB'000	2008 RMB'000
Sale of goods	314,596	237,596

The directors consider that the Group operates in a single business as the turnover and profit are derived entirely from the manufacture and sale of aluminium electrolytic capacitors. Accordingly, no segmental revenue, results, assets and liabilities are presented.

6. Other revenue and income

	2009 RMB'000	2008 RMB'000
Bank interest income	725	2,689
Total interest income on financial assets not at fair value through profit or loss	725	2,689
Government grants (note)	218	—
Reversal of impairment on trade receivables	2,065	—
Others	796	698
	3,804	3,387

Note: The Group was awarded government grants totaling RMB218,000 during the year, for the recognition of the Group's sales performance and contribution to local community. These grants were not conditional and were therefore recognised as income when received.

7. Finance costs

	2009 RMB'000	2008 RMB'000
Interest expenses on bank loans wholly repayable within five years	6,722	8,712
Total interest expense on financial liabilities not at fair value through profit or loss	6,722	8,712

8. Profit before taxation

Profit before taxation is arrived at after charging:

	2009 RMB'000	2008 RMB'000
Directors' emoluments *(note 9)*	3,048	4,035
Other salaries, wages and benefits	26,246	21,739
Contributions to retirement benefit scheme	1,151	1,425
Equity settled share-based expense *(note 28)*	1,253	—
Total staff costs	31,698	27,199
Amortisation of lease prepayments	42	42
Auditor's remuneration	466	440
Cost of inventories sold *(note (i))*	272,424	191,475
Depreciation of property, plant and equipment	15,697	11,439
Impairment loss of trade receivables	2,625	8,568
Loss on disposal of property, plant and equipment	183	117
Net exchange loss	229	3,124
Operating lease rentals in respect of properties	753	702
Research and development costs *(note (ii))*	1,638	5,074

Note:

(i) Cost of inventories sold includes staff costs of RMB20,879,000 (2008: RMB16,721,000) and depreciation of RMB14,949,000 (2008: RMB10,675,000) as disclosed in staff costs and depreciation of property, plant and equipment above.

(ii) Research and development costs include staff costs of employees in the research and development department, which are included in the total staff costs as disclosed above.

9. Directors' emoluments

The emoluments of each director for the year ended 31 December 2009 are set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	Other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Executive Directors							
Yan Qixu	—	900	—	250	—	2	1,152
Xiang Xiaoqin	—	883	—	250	—	2	1,135
Shan Biao (resigned on 7/9/2009)	—	412	—	—	—	—	412
Kuang Lihau	—	307	—	250	—	—	557
Liu Xinsheng	—	307	—	250	—	13	570
Li Wing Sang (appointed on 11/12/2009)	—	12	—	—	—	—	12
Independent non-executive Directors							
Lin Sufen	60	—	—	—	—	—	60
Xu Kangning	60	—	—	—	—	—	60
Wong Chun Hung	90	—	—	—	—	—	90
	210	2,821	—	1,000	—	17	4,048

The emoluments of each director for the year ended 31 December 2008 are set out below:

Name of director	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Share-based payments RMB'000	Other benefits RMB'000	Contributions to retirement benefit schemes RMB'000	Total RMB'000
Executive Directors							
Yan Qixu	—	1,200	—	—	—	5	1,205
Xiang Xiaoqin	—	1,200	—	—	—	4	1,204
Shan Biao	—	600	—	—	—	1	601
Kuang Lihau	—	400	—	—	—	1	401
Liu Xinsheng	—	400	—	—	—	14	414
Independent non-executive Directors							
Lin Sufen	60	—	—	—	—	—	60
Xu Kangning	60	—	—	—	—	—	60
Wong Chun Hung	90	—	—	—	—	—	90
	210	3,800	—	—	—	25	4,035

10. Individuals with highest emoluments

The five individuals whose emoluments were the highest in the Group include four directors (2008: four) whose emoluments are reflected in the analysis above. The emoluments payable to the remaining individual is as follows:

	2009 RMB'000	2008 RMB'000
Salaries and allowances	412	510
Contributions to retirement benefit scheme	11	11
Share-based payments	—	—
	423	521

The emoluments of the individual with the highest emoluments fell within the band of nil to HK$1,000,000 (equivalent to RMB880,000).

During both years, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during both years.

11. Income tax

(a) Taxation in the consolidated income statement represents:

	2009 RMB'000	2008 RMB'000
PRC Foreign Enterprise Income Tax		
— Current year	994	925
— Underprovision in respect of prior years	541	741
	1,535	1,666

(i) Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands ("BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

(ii) The Group is not subject to Hong Kong Profits Tax as it has no assessable income arising in or derived from Hong Kong during the years ended 31 December 2009 and 2008.

11. Income tax (Continued)

(a) (Continued)

(iii) Pursuant to the income tax rules and regulations of the PRC, the subsidiaries of the Group are subject to foreign enterprise income tax/corporate income tax as follows:

— Changzhou Huawei is entitled to a preferential tax rate of 15% (2008: 25%) for the year ended 31 December 2009 for being a high technology enterprise for a period of three years. In accordance with the Corporate Income Tax Law of the PRC ("new tax law"), which is effective from 1 January 2008, the applicable tax rate of Changzhou Huawei is 25% with effect from 1 January 2008.

— Huawei Capacitors and South Huawei are foreign-invested enterprises and are entitled to the tax concessions whereby the profit for the first two financial years beginning with the first two profit-making year were exempted from income tax in the PRC, and the profit for each of the subsequent three years is taxed at 50% of the prevailing tax rate. The first profit-making year for Huawei Capacitors and South Huawei was 2006. Pursuant to the new tax law, Huawei Capacitors and South Huawei continue to be entitled to a 50% tax relief from foreign enterprise income tax of 25% (2008: 25%) and 20% (2008: 18%), respectively.

(b) Reconciliation between actual income tax expense and profit before taxation at applicable tax rates:

	2009 RMB'000	2008 RMB'000
Profit before taxation	7,694	4,751
Tax on profit before taxation, calculated at the rates applicable in the tax jurisdiction concerned	2,408	1,560
Effect of tax exemptions granted to PRC subsidiaries	(1,421)	(1,627)
Tax effect of non-deductible expenses	1,246	1,971
Tax effect of non-taxable income	(1,239)	(974)
Tax losses utilised	—	(5)
Underprovision in respect of prior years	541	741
Actual income tax expense	1,535	1,666

(i) Under the new tax law of PRC, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated income statement arising since 1 January 2008 because the Group is in a position to control the quantum and timing of the distribution thereof. Deferred taxation is only provided to the extent that such earnings are estimated to be distributable in the foreseeable future.

(ii) No provision has been made for deferred taxation as at 31 December 2009 and 2008 as the Group has no significant deductible or taxable temporary differences which would give rise to deferred tax assets or liabilities.

12. Profit attributable to equity holders of the Company

The consolidated profit attributable to equity holders of the Company includes a loss of RMB5,821,000 (2008: a profit of RMB16,027,000) which has been dealt with in the financial statements of the Company.

13. Dividends

No dividend was paid or proposed during the year, nor has any dividend been proposed since 31 December 2009 (2008: Nil).

14. Earnings per share

The basic earnings per share for the year is calculated based on the consolidated profit attributable to equity holders of the Company of approximately RMB6,159,000 (2008: RMB3,085,000) and on the weighted average number of approximately 614,630,137 (2008: 600,000,000) shares in issue during the year.

Weighted average number of ordinary shares

	2009	2008
Ordinary shares issued at 1 January	600,000,000	600,000,000
Effect of share options exercised	4,767,123	—
Effect of share placement	9,863,014	—
Weighted average number of ordinary shares in issue	614,630,137	600,000,000

There were no share options outstanding at the years ended 31 December 2009 and 2008 and, therefore, diluted earnings per share are the same as the basic earnings per share.

15. Segment reporting

(a) Segment revenue, results, assets and liabilities

The Group is principally engaged in the manufacture and sale of aluminium electrolytic capacitors in the PRC. Although the aluminium electrolytic capacitors are sold to domestic and overseas customers, the Group's most senior executive management regularly review their combined financial information to assess the performance and make resource allocation decisions. Accordingly, no segmental revenue, results, assets and liabilities are presented.

15. Segment reporting (Continued)

(b) Geographical information

The following table sets out information about the geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the goods are delivered.

	Revenue from external customers	
	2009 RMB'000	2008 RMB'000
The PRC, excluding Hong Kong	190,208	190,569
Taiwan	85,946	24,648
Turkey	13,065	7,818
Korea	1,952	3,156
Other countries	23,425	11,405
	314,596	237,596

Substantially, all of the Group's non-current assets and capital expenditure are located in the PRC, no analysis on non-current assets by location is presented.

(c) Information from major customers

Revenues from customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2009 RMB'000	2008 RMB'000
Customer A	56,892	—
Customer B	—	30,952
	56,892	30,952

Further details of concentration of credit risk arising from these customers are set out in note (3)(a)(i).

16. Property, plant and equipment

The Group

	Buildings RMB'000	Plant and machinery RMB'000	Furniture, and office equipment RMB'000	Electronic equipment RMB'000	Motor vehicles RMB'000	Construction in progress ("CIP") RMB'000 *(Note 17)*	Total RMB'000
Cost							
At 1 January 2008	7,528	92,862	1,182	4,076	3,262	22,814	131,724
Additions	255	48,566	455	763	138	7,376	57,553
Disposals	(123)	—	—	(3)	(281)	—	(407)
At 31 December 2008 and at 1 January 2009	7,660	141,428	1,637	4,836	3,119	30,190	188,870
Additions	—	14,782	7,389	700	331	2,144	25,346
Disposals	—	—	—	—	(903)	—	(903)
Transfer from CIP	32,334	—	—	—	—	(32,334)	—
At 31 December 2009	39,994	156,210	9,026	5,536	2,547	—	213,313
Accumulated depreciation							
At 1 January 2008	1,406	36,157	618	1,375	1,216	—	40,772
Charge for the year	344	9,954	192	667	282	—	11,439
Disposals	(86)	—	—	(1)	(111)	—	(198)
At 31 December 2008 and at 1 January 2009	1,664	46,111	810	2,041	1,387	—	52,013
Charge for the year	1,805	12,604	309	719	260	—	15,697
Written back on disposal	—	—	—	—	(461)	—	(461)
At 31 December 2009	3,469	58,715	1,119	2,760	1,186	—	67,249
Net book value							
At 31 December 2009	36,525	97,495	7,907	2,776	1,361	—	146,064
At 31 December 2008	5,996	95,317	827	2,795	1,732	30,190	136,857

All of the Group's buildings and plant and machinery are located in the PRC. The carrying value of the properties of the Group comprises buildings on land under medium-term lease in the PRC.

17. Construction in progress

	The Group	
	2009 RMB'000	2008 RMB'000
At 1 January	30,190	22,814
Additions	2,144	7,376
Transferred to property, plant and equipment	(32,334)	—
At 31 December	—	30,190

18. Lease prepayments/deposits for lease prepayments

(a) Lease prepayments

	The Group	
	2009 RMB'000	2008 RMB'000
Cost		
At 1 January and 31 December	2,090	2,090
Accumulated amortisation		
At 1 January	123	81
Charge of the year	42	42
At 31 December	165	123
Net book value		
At 31 December	1,925	1,967
Net book value		
Current portion	42	42
Non-current portion	1,883	1,925
	1,925	1,967

Lease prepayments represent payments for land use rights for the medium term leasehold land in the PRC, which have remaining terms ranging from 47 to 49 years as at 31 December 2009.

(b) Deposits for lease prepayments

As at 31 December 2009, the Group had made prepayments of RMB320,000 (2008: RMB320,000) for the acquisition of land use rights for factory buildings. The Group is in the process of obtaining the land use rights certificates.

19. Investments in subsidiaries

	The Company	
	2009 RMB'000	2008 RMB'000
At cost		
Unlisted shares	84,584	84,516
Amounts due from a subsidiary *(note)*	153,487	153,487
	238,071	238,003

Note: The amount due from a subsidiary is unsecured, interest free and will not be demanded for repayment. In substance, it forms part of the Company's interest in a subsidiary as capital contributions.

Particulars of the Company's subsidiaries as at 31 December 2009 are as follows:

Name	Place of incorporation/ operation	Issued and fully paid share capital	Percentage of issued/registered capital held by the Company Direct %	Indirect %	Principal activities
Changzhou Huawei Electronics Co Ltd ("Changzhou Huawei") *(note i)*	The People's Republic of China (the "PRC")	US$3,070,000	—	100	Manufacture and sale of aluminium electrolytic capacitors
Changzhou Huawei Capacitors Co Ltd ("Huawei Capacitors") *(note i)*	PRC	US$2,100,000	—	100	Trading of aluminium electrolytic capacitors
South Huawei (Shenzhen) Electronics Co Ltd ("South Huawei") *(note i)*	PRC	HK$1,000,000	—	100	Manufacture and sale of aluminium electrolytic capacitors
Huawei Group Holdings Limited	The British Virgin Islands ("BVI")	US$0.01	100	—	Investment holding
Tong Tai Company Limited	BVI	US$0.01	—	100	Investment holding
He Yue Company Limited	BVI	US$0.01	—	100	Investment holding
Hai Te Wei Company Limited	Hong Kong	HK$1	—	100	Provision of administrative services
Hai Ji Wei Company Limited	Hong Kong	HK$1	—	100	Inactive
SunTech Holdings Limited *(note ii)*	BVI	US$10,000	—	100	Investment holding
SunTech Resources Group Company Limited *(note ii)*	BVI	US$10,000	—	100	Inactive
SunTech Resources International Company Limited *(note ii)*	Hong Kong	HK$10,000	—	100	Inactive
奧斯特展盛(深圳)電子有限公司 *(note i) (note ii)*	PRC	HK$8,000,000	—	100	Manufacture and sale of aluminium electrolytic capacitors
Blue Saint Enterprises Limited *(note ii)*	BVI	US$1	—	100	Inactive

19. Investments in subsidiaries (Continued)

Notes:

(i) These entities are wholly-owned foreign enterprise established in the PRC.

(ii) Incorporated during the year ended 31 December 2009

20. Inventories

	The Group	
	2009 RMB'000	2008 RMB'000
Raw materials	22,992	8,399
Work-in-progress	46,446	40,528
Finished goods	74,438	57,083
	143,876	106,010

The inventories expensed in the income statement amounted to RMB 272,424,000 for the year (2008: RMB 191,475,000).

21. Trade and bills receivables

The Group normally grants a credit period of 30 to 180 days to its customers.

	The Group	
	2009 RMB'000	2008 RMB'000
Trade receivables	134,460	108,344
Bills receivable	1,670	526
	136,130	108,870

21. Trade and bills receivables (Continued)

(a) Aging analysis

Aging analysis of trade and bills receivables as of the balance sheet date was as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
0 – 30 days	19,896	17,699
31 – 90 days	51,759	24,824
91 – 180 days	26,899	28,403
181 – 365 days	11,390	30,599
Over 365 days	39,411	20,010
	149,355	121,535
Provision for impairment	(13,225)	(12,665)
	136,130	108,870

(b) Impairment of trade receivables

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade and bills receivables directly.

The movements in the allowance for impairment loss for bad and doubtful debts during the year are as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
At 1 January	12,665	4,097
Reversal of impairment loss	(2,065)	—
Impairment loss recognised	2,625	8,568
At 31 December	13,225	12,665

As at 31 December 2009, trade receivables of the Group amounted to RMB2,625,000 (2008: RMB8,568,000) were individually determined to be impaired. These individually impaired receivables were outstanding over 365 days as at the balance sheet date, taking into account of creditworthiness, past payment history and subsequent settlements of each customer up to date of approval of the financial statements. Accordingly, specific allowances for doubtful debts of RMB2,625,000 (2008: RMB8,568,000) were recognised. The Group does not hold any collateral over these balances.

21. Trade and bills receivables (Continued)

(c) Trade and bills receivables that are not impaired

The aging analysis of trade and bills receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Neither past due nor impaired	98,554	70,926
180 days–365 days	11,390	30,599
Over 365 days	26,186	7,345
	136,130	108,870

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

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, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

22. Other receivables and prepayments

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Other receivables and prepayments	6,017	417	—	—
Payments in advance to suppliers	9,591	12,328	—	—
Advance to employees	1,137	587	—	—
Value-added tax refundable	5,481	3,644	—	—
Refundable deposit for a proposed investment	13,200	—	—	—
Others	1,734	751	60	34
	37,160	17,727	60	34

22. Other receivables and prepayments (Continued)

Included in other receivables and prepayments is a deposit of HK$15 million (equivalent to RMB 13.2 million) paid by the Group to an independent third party under a memorandum of understanding in relation to the proposed acquisition of 60% equity interest in a company, which is principally engaged in the operations of toll installation of LED street lamps in the PRC. The deposit is refundable with no interest subject to the due diligence review on the investment to be completed. In the opinion of the directors, the deposit paid of HK$15,000,000 (RMB13,200,000) is fully recoverable.

None of the above assets is either past due or impaired and there was no recent history of default for the above receivables.

23. Cash and cash equivalents, time deposits and restricted bank deposits

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Cash at banks	20,655	28,452	562	437
Cash in hand	110	141	—	—
Time deposits with original maturity less than three months	3,500	20,000	—	—
Cash and cash equivalents	24,265	48,593	562	437
Time deposits with original maturity over three months	60,000	23,950	—	—
Restricted bank deposits *(note 31)*	53,050	9,950	—	—
	137,315	82,493	562	437

The restricted bank deposits were pledged as security for issuing bills payable to suppliers.

The bank deposits were denominated in Renminbi with an average maturity of less than 1 year. The effective interest rate on bank deposits as at 31 December 2009 was 1.98% (2008: 2.10%) per annum.

The bank balances and time deposits are deposited with creditworthy banks with no collateral. The carrying amounts of the cash and cash equivalents approximate their fair values.

24. Trade and bills payables

The credit terms granted by suppliers are generally for a period of 30 to 90 days, computing from the end of the month of the relevant purchase.

	The Group	
	2009 RMB'000	2008 RMB'000
Trade payables	84,589	34,338
Bills payable	100,950	39,150
	185,539	73,488

Bills payable as at 31 December 2009 and 2008 were secured by restricted bank deposits (note 23).

Details of the aging analysis of trade and bills payables are as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
0 – 30 days	41,161	42,128
31 – 90 days	91,028	15,275
91 – 365 days	52,693	15,499
Over 365 days	657	586
	185,539	73,488

The carrying amounts of trade and bills payables approximate their fair values.

25. Other payables

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Salaries and welfare payable	4,283	4,242	943	—
Value-added tax payable	383	11	—	—
Amounts payable for property, plant and equipment	8,916	7,384	—	—
Receipts in advance	6,293	5,128	—	—
Rental payable	—	117	—	—
Audit fee	466	440	512	431
Others	1,853	556	292	207
	22,194	17,878	1,747	638

26. Bank loans

At 31 December 2009, the bank loans of the Group were repayable as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Within 1 year or on demand	110,000	46,000
After 1 year but within 2 years	—	60,000
Total	110,000	106,000

At 31 December 2009, the bank loans of the Group were secured as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Bank loans		
— Secured	55,000	60,000
— Unsecured	55,000	46,000
	110,000	106,000

(a) At 31 December 2009, bank loans of RMB55,000,000 (2008: RMB60,000,000) were secured on the properties of a related company and guaranteed by that related company (note 34 (c)).

(b) At 31 December 2009, the Group's bank loans of RMB55 million (2008: RMB46 million) were guaranteed by two subsidiaries, Changzhou Huawei and Huawei Capacitors. The total banking facilities of the Group amounted to RMB 247 million (2008: RMB 145 million), which were utilised to the extent of RMB 158 million (2008: RMB 145 million).

(c) The Group's bank loans bore fixed interest rates ranging from 5.31% to 5.84% (2008: 5.58% to 8.21%) per annum.

(d) All of the Group's bank loans are denominated in Renminbi.

(e) The carrying amounts of the Group's interest-bearing bank loans approximate their fair values.

27. Employee retirement benefits

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Scheme Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of trustees. Under the MPF Scheme, the employer and employees are each required to make contributions to the plan of 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the plan vest immediately.

The PRC subsidiaries participates in several defined contribution retirement benefit schemes (the "Schemes") organized by the PRC municipal and provincial government authorities whereby the Group is required to make contributions to the Schemes certain percentage of the eligible employees' salaries. The local government authority is responsible for the entire pension obligations payable to retired employees.

The Group has no other material obligation for the payment of pension benefits associated with those schemes beyond the annual contributions described above.

28. Share option scheme

The Company has adopted a share option scheme (the "Share Option Scheme") pursuant to the shareholders' written resolution passed on 26 July 2007.

The maximum number of shares that may be granted under the Share Option Scheme and other share option schemes shall not exceed 10 % of the number of issued shares of the Company from time to time. No option may be granted to any person such that the total number of shares of the Company issued and to be issued upon exercise of all options granted and to be granted to each participant in any 12-month period up to the date of the latest grant exceeds 1% of the number of shares of the Company in issue.

The Share Option Scheme shall be valid and effective for a period of 10 years ending on 25 July 2017 after which no further options will be granted. The exercise price of the options will be at least the higher of: (a) The closing price of the shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets) on the Offer Date, which must be a business date; (b) The average closing price of the Shares on the Stock Exchange (as stated in the Stock Exchange's daily quotation sheets) for the five business days immediately preceding the Offer Date; and (c) the nominal value of the shares.

(a) The terms and number of weighted average exercise prices of share options are as follows:

Details of options granted and a summary of the movements of the outstanding options under the Share Option Scheme during the years ended 31 December 2009 and 2008 are as follows:

				Number of shares issuable under options granted				
	Exercise price per option HK$	Date of grant	Exercisable period	Outstanding as at 1/1/2009	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31/12/2009
Directors								
Yan Qixu	0.169	3.11.2009	3.11.2009–2.11.2019	—	6,000,000	(6,000,000)	—	—
Xiang Xiaoqin	0.169	3.11.2009	3.11.2009–2.11.2019	—	6,000,000	(6,000,000)	—	—
Kuang Lihua	0.169	3.11.2009	3.11.2009–2.11.2019	—	6,000,000	(6,000,000)	—	—
Liu Xinsheng	0.169	3.11.2009	3.11.2009–2.11.2019	—	6,000,000	(6,000,000)	—	—
Employee	0.169	3.11.2009	3.11.2009–2.11.2019	—	6,000,000	(6,000,000)	—	—
				—	30,000,000	(30,000,000)	—	—

28. Share option scheme (Continued)

(b) On 3 November 2009, options for a total of 30,000,000 shares were granted as referred to note (a) above. The closing price of the shares of the Company immediately before the date of grant was HK$0.164. All of these share options were exercised on 4 November 2009.

(c) The estimated fair value of the options granted for the 30,000,000 shares on 3 November 2009 amounted to HK$1,424,039 (equivalent to approximately RMB 1,253,154), which was calculated using the Black-Scholes Option Pricing Model (the "Model") as at the date of the grant of the share options. The followings are the key inputs to the Model:

	2009
Share price	HK$0.164
Exercise price	HK$0.169
Expected volatility	77.94%
Expected dividend yield	0%
Risk free rate	0.14%
Expected life of the share options	10 years

Expected volatility was determined by using the historical volatility of the share prices of the Company.

The Group recognised a total expense of approximately HK$1,424,039 (equivalent to approximately RMB 1,253,154) for the year ended 31 December 2009 (2008: Nil) in relation to the share options granted by the Company.

The Model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimates. The value of an option varies with different variables of certain subjective assumptions.

29. Share capital

	Note	**Number of shares of HK$0.01 each**	**Nominal value of shares** HK$'000
Authorised:			
At 31 December 2009 and 2008		2,000,000,000	20,000

29. Share capital (Continued)

	Note	Number of shares of HK$0.01 each	Nominal value of shares HK$'000	RMB'000
Issued and fully paid				
At 1 January 2008 and 31 December 2008		600,000,000	6,000	5,820
Shares issued:				
— Exercise of share options	(a)	30,000,000	300	264
— Placing of shares	(b)	120,000,000	1,200	1,056
At 31 December 2009		750,000,000	7,500	7,140

(a) Issue of new shares upon exercise of share options

On 4 November 2009, 30,000,000 new shares were issued at HK$0.169 per share under the share options granted on 3 November 2009 as referred in note 28 to the financial statements. The proceeds amounted to HK$5,070,000, of which HK$300,000 (equivalent to RMB264,000) was credited to share capital and the balance of HK$4,770,000 (equivalent to RMB4,197,000), including the fair value of the share options of HK$1,253,000 as referred to note 28(c), was credited to the share premium account.

(b) Issue of new shares under placing of shares

On 2 December 2009, the Company issued 120,000,000 new ordinary shares of HK$0.01 each at a price of HK$0.143 per share. The proceeds amounted to HK$17,160,000, out of which HK$1,200,000 (equivalent to RMB1,056,000) was recorded in share capital with the balance of HK$15,960,000 (equivalent to RMB14,045,000) was credited to the share premium account.

All the new ordinary shares issued during the year ended 31 December 2009 rank pari passu in all respects with the then existing ordinary shares of the Company.

30. Reserves

The Group

	Share premium RMB'000	Capital reserve RMB'000	Share option reserve RMB'000	Special reserve RMB'000	Statutory reserve RMB'000	Exchange reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2008	147,567	6,894	—	42,783	16,064	(2,020)	48,401	259,689
Profit for the year	—	—	—	—	—	—	3,085	3,085
Transfer	—	—	—	—	207	—	(207)	—
Dividend paid	—	—	—	—	—	—	(14,098)	(14,098)
At 31 December 2008 and at 1 January 2009	147,567	6,894	—	42,783	16,271	(2,020)	37,181	248,676
Equity-settled share-based expense	—	—	1,253	—	—	—	—	1,253
Exchange difference on translation of financial statements of subsidiary	—	—	—	—	—	4	—	4
Shares issued upon exercise of share options	5,450	—	(1,253)	—	—	—	—	4,197
Shares issued under placing	14,045	—	—	—	—	—	—	14,045
Share issuing expenses	(152)	—	—	—	—	—	—	(152)
Profit for the year	—	—	—	—	—	—	6,159	6,159
Transfer	—	—	—	—	550	—	(550)	—
At 31 December 2009	166,910	6,894	—	42,783	16,821	(2,016)	42,790	274,182

30. Reserves (Continued)

The Company

	Share premium RMB'000	Special reserve RMB'000	Share option reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2008	147,567	84,516	—	(1,460)	230,623
Profit for the year	—	—	—	16,027	16,027
Dividend paid	—	—	—	(14,098)	(14,098)
At 31 December 2008 and 1 January 2009	147,567	84,516	—	469	232,552
Equity-settled share-based expense	—	—	1,253	—	1,253
Shares issued upon exercise of share options	5,450	—	(1,253)	—	4,197
Shares issued under placing	14,045	—	—	—	14,045
Share issuing expense	(152)	—	—	—	(152)
Loss for the year	—	—		(5,821)	(5,821)
At 31 December 2009	166,910	84,516	—	(5,352)	246,074

(a) Share premium

The share premium account represents the excess of the issue price net of any issuance expenses over the par value of the shares issued and has been credited to the share premium account of the Company. The application of the share premium account is governed by Section 34 under the Companies Law of the Cayman Islands.

(b) Capital reserve

Capital reserve represents the excess of the consolidated net assets acquired in the subsidiaries over the consideration paid for their acquisition.

(c) Special reserve

Special reserve represents the difference between the net assets of Huawei Group Holdings Limited and its subsidiaries acquired by the Company and the nominal value of one nil-paid issued share of the Company through an exchange of shares.

(d) Share option reserve

The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors and employees of the Company recognised in accordance with the accounting policy adopted for share-based payments. All the balance was transferred to share premium account following the issue of new shares upon exercise of all these options granted as referred to notes 28 and 29 (a).

(e) Statutory reserve

The statutory reserve refers to the PRC statutory reserve fund. Appropriations to such reserve fund are made out of the profit after tax of the statutory financial statements of the PRC subsidiaries and the amount should not be less than 10% of the profit after tax unless the aggregate reserve amount exceeded 50% of the registered capital of the PRC subsidiaries. The statutory reserve fund can be used to make up prior year losses of the PRC subsidiaries.

30. Reserves (Continued)

(f) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC.

(g) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB246,074,000 (2008: RMB 232,552,000). The funds in the share premium are distributable to the shareholders of the Company provide that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

31. Pledged assets

At the balance sheet date, the following assets were pledged to banks to secure general banking facilities granted to the Group:

	The Group	
	2009 RMB'000	2008 RMB'000
Leasehold properties	—	3,359
Restricted bank deposits *(note 23)*	53,050	9,950
	53,050	13,309

32. Operating lease commitments

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of office premises which fall due as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Within one year	633	744
In the second to fifth year, inclusive	936	9
	1,569	753

The Company had no operating lease commitments at the balance sheet date.

33. Capital commitments

At the balance sheet date, the Group had capital commitments not provided for in the financial statements were as follows:

	The Group	
	2009 RMB'000	2008 RMB'000
Contracted but not provided for		
— property, plant and equipment	1,493	2,613
— capital contribution in a subsidiary	1,311	—
Authorised but not contracted for *(note)*	—	26,271
	2,804	28,884

Note: On 4 December 2009, Suntech Resources Group Company Limited, a wholly-owned subsidiary of the Company, entered into a non-binding memorandum of understanding for the proposed acquisition of a 60% equity interest in a company engaged in the operations of toll installation of LED street lamps in the PRC, at a consideration of not more than HK$500 million.

The Company had no capital commitments at the balance sheet date.

34. Material related party transactions

During the years ended 31 December 2009 and 2008, the directors are of the view that the following are related parties of the Group:

Name of the party	Relationship
Yan Qixu	Executive director
Xiang Xiaoqin	Executive director
Shan Biao	Executive director
Kuang Lihua	Executive director
Liu Xinsheng	Executive director
Li Wing Sang	Executive director
Xu Kangning	Non-executive director
Wong Chun Hung	Non-executive director
Lin Sufen	Non-executive director
Changzhou Huawei Reflective Material Company Limited ("Reflective Material")	Mr. Yan Qixu and Ms Xiang Xiaoqin are common directors and controlling shareholders
He Yue Company Limited	Subsidiary
Changzhou Huawei Electronics Co., Ltd	Subsidiary
SunTech Holdings Limited	Subsidiary

34. Material related party transactions (Continued)

(a) Amounts due to directors

	The Group		The Company	
	2009 RMB'000	2008 RMB'000	2009 RMB'000	2008 RMB'000
Yan Qixu	797	667	668	76
Xiang Xiaoqin	1,080	418	1,047	418
Shan Biao	—	630	—	630
Kuang Lihua	608	405	593	404
Liu Xinsheng	597	409	597	409
Li Wing Sang	12	—	12	—
Xu Kangning	39	19	39	19
Wong Chun Hung	59	29	59	29
Lin Sufen	39	19	39	19
	3,231	2,596	3,054	2,004

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

(b) Amounts due from subsidiaries

	The Company	
	2009 RMB'000	2008 RMB'000
Huewei Group Holdings Limited	7,523	7,523
Hai Te Wei Limited	6,018	—
Blue Saint Enterprises Limited	8	—
SunTech Resources Group Company Limited	13,200	—
	26,749	7,523

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

In addition, as disclosed in note 19 above, there was amount due from a subsidiary of RMB153,487,000 (2008: RMB153,487,000) which has been recognized as part of the interest in a subsidiary as its capital contribution.

34. Material related party transactions (Continued)

(c) Amounts due to subsidiaries

	The Company 2009 RMB'000	The Company 2008 RMB'000
He Yue Company Limited	335	162
Changzhou Huawei Electronics Co., Ltd	7,024	4,821
SunTech Holdings Limited	68	—
	7,427	4,983

The amounts due are unsecured, interest-free and have no fixed terms of repayment.

(d) Securities and guarantees

At 31 December 2009, the Group's bank loans of RMB 55,000,000 (2008: RMB35,000,000) were secured by certain properties and corporate guarantee of Reflective Material.

(e) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as referred to in note 9 and certain of highest paid employees as disclosed in note 10, is as follows:

	The Group 2009 RMB'000	The Group 2008 RMB'000
Short-term employee benefits	3,233	4,310
Contributions to defined retirement plans	28	36
Share-based payments	1,253	—
	4,514	4,346

35. Ultimate holding company

The directors regard Tong Heng Company Limited, a company incorporated in the British Virgin Islands, as being the ultimate holding company of the Group.

Group Financial Summary

	2009 RMB'000	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000
Results					
Turnover	314,596	237,596	287,567	256,744	185,411
Operating profit	14,416	13,463	71,118	67,692	44,021
Finance costs	(6,722)	(8,712)	(8,194)	(7,821)	(8,365)
Profit before taxation	7,694	4,751	62,924	59,871	35,656
Income tax	(1,535)	(1,666)	(6,058)	(3,094)	(2,890)
Profit for the year	6,159	3,085	56,866	56,777	32,766
Attributable to:					
Equity holders of the Company	6,159	3,085	56,866	56,777	25,621
Minority interests	—	—	—	—	7,145
Profit for the year	6,159	3,085	56,866	56,777	32,766
Assets and liabilities					
Non-current assets	148,267	139,102	93,236	66,608	72,278
Current assets	454,523	315,662	366,953	204,100	194,952
Current liabilities	(321,468)	(140,268)	(134,680)	(111,778)	(192,727)
Total assets less current liabilities	281,322	314,496	325,509	158,930	74,503
Non-current liabilities	—	(60,000)	(60,000)	(60,000)	—
NET ASSETS	281,322	254,496	265,509	98,930	74,503
Capital and reserves					
Share capital	7,140	5,820	5,820	—	32,353
Reserves	274,182	248,676	259,689	98,930	24,963
Equity attributable to equity holders of the Company	281,322	254,496	265,509	98,930	57,316
Minority interests	—	—	—	—	17,187
TOTAL EQUITY	281,322	254,496	265,509	98,930	74,503