Sinotronics Holdings Limited
華翔微電子控股有限公司*

(incorporated in the Cayman Islands with limited liability)

Stock Code: 1195

Announcement of Interim Results
For the six months ended 31 December 2006

RESULTS

The board (the "Board") of directors (the "Directors") of Sinotronics Holdings Limited ("Sinotronics" or the "Company") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 31 December 2006 together with the comparative figures for the corresponding six months ended 31 December 2005 as follows:

Condensed Consolidated Income Statement
For the six months ended 31 December 2006
(Express in Renminbi)

		(Unaudited)	
		Six months ended 31 December	
		2006	2005
	Notes	***RMB'000***	*RMB'000*
Turnover	2	**344,503**	223,386
Cost of sales		**(234,633)**	(134,974)
Gross profit		**109,870**	88,412
Other revenue		**2.798**	1,247
Distribution costs		**(5,030)**	(5,748)
Administrative expenses		**(10,831)**	(10,086)
Other operating expenses		**(7,602)**	(1,761)
Profit from operations		**89,205**	72,064
Finance costs	3(a)	**(8,974)**	(6,886)
Profit from ordinary activities before taxation	3	**80,231**	65,178
Taxation	4	**(11,152)**	(11,561)
Profit from ordinary activities after taxation		**69,079**	53,617
Attributable to:			
Equity shareholders of the Company		**65,904**	50,602
Minority interests		**3,175**	3,015
Profit for the period		**69,079**	53,617
Earnings per share	5		
Basic		**12 cents**	11 cents
Diluted		**12 cents**	9 cents

Condensed Consolidated Balance Sheet
As at 31 December 2006
(Express in Renminbi)

	Notes	**(Unaudited) As at 31 December 2006** *RMB'000*	(Audited) As at 30 June 2006 *RMB'000*
Non-current assets			
Property, plant and equipment		**356,833**	331,957
Interest in leasehold land held for own use under operating lease		**18,414**	17,616
Purchase deposits of property, plant and equipment		**2,154**	1,765
Deferred tax assets		**3,430**	3,430
		380,831	354,768
Current assets			
Trading securities		**102**	102
Inventories		**26,337**	28,464
Trade and other receivables	7	**261,693**	240,219
Cash and cash equivalents		**607,643**	572,803
		895,775	841,,588
Current liabilities			
Trade and other payables	8	**202,164**	175,729
Short-term bank loans		**186,897**	199,391
Obligations under finance leases		**3,422**	6,257
Taxation		**10,101**	5,499
Convertible bonds		**—**	71,326
		402,584	458,202
Net current assets		**493,191**	383,386
Total assets less current liabilities		**874,022**	738,154
Non-current liabilities			
Non-current bank loans		**30,000**	30,000
Obligations under finance leases		**5,102**	6,878
		35,102	36,878
NET ASSETS		**838,920**	701,276
Capital and reserves			
Share capital		**58,123**	49,568
Reserves		**780,797**	620,465
Total equity attributable to equity holders of the parent		**838,920**	670,033
Minority interests		**—**	31,243
TOTAL EQUITY		**838,920**	701,276

Notes:

1. BASIS OF PREPARATION

This unaudited interim financial statement has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, Interim financial reporting, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

The unaudited interim financial statement has been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2. TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sales of printed circuit boards ("PCBs"), PCBs assembling products and provision for surface mount technology ("SMT") processing service.

Turnover represents the sales value of goods supplied to customers, which excludes value-added tax and is stated after deduction of all goods returns and trade discounts, and service income from SMT processing service. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	Six months ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Sales of PCBs	**266,501**	207,445
Sales of PCBs assembling products	**63,261**	15,941
SMT processing service income	**14,741**	—
	344,503	223,386

3. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

		Six months ended 31 December	
		2006	2005
		RMB'000	*RMB'000*
(a)	Finance costs:		
	Interest on bank loans wholly repayable within five years	**7,928**	3,043
	Finance charges on obligations under finance leases	**389**	577
	Interest on convertible bonds wholly repayable within five years	**—**	3,128
	Other borrowing costs	**657**	138
	Total borrowing costs	**8,974**	6,886
(b)	Staff costs:		
	Contributions to defined contribution plans	**382**	24
	Salaries, wages and other benefits	**6,923**	9,445
		7,305	9,469

	Six months ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
(c) Other items:		
Cost of inventories	**234,633**	134,974
Amortisation of interest in leasehold land held for own use under operating lease	**193**	65
Depreciation		
— owned fixed assets	**8,957**	8,838
— assets held for use under finance lease	**1,269**	1,267
Operating lease rentals for premises	**829**	—
Impairment losses of trade and other receivables	**—**	1,790
Bad debts written off	**118**	—
Net exchange (gain)/loss	**6,739**	902

4. TAXATION

Taxation in the consolidated income statement represents:

	Six months ended 31 December	
	2006	2005
	RMB'000	*RMB'000*
Current tax — Overseas		
Provision for PRC enterprise income tax *(see note (iii) below)*	**11,152**	11,561

Notes:

(i) *Overseas income tax*

The Company is incorporated in the Cayman Islands and is exempted from taxation in the Cayman Islands until 2019. The Company's subsidiaries in the British Virgin Islands are incorporated under the International Business Companies Acts of the British Virgin Islands and, accordingly, are exempt from British Virgin Islands income taxes.

(ii) *Hong Kong profits tax*

No provision for Hong Kong profits tax has been made as the Group did not generate any income subject to Hong Kong profits tax during the periods.

(iii) *PRC enterprise income tax*

The Group's subsidiaries in the PRC are subject to PRC enterprise income tax at a preferential rate of 15%. In accordance with the relevant tax rules and regulations in the PRC, all subsidiaries in the PRC are fully exempted from PRC enterprise income tax for two years starting from the first year of profitable operations after offsetting prior year's tax losses, followed by a 50% reduction of PRC income tax for the next three years.

There is no significant unprovided deferred taxation for both interim periods.

5. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 31 December 2006 was based on the unaudited consolidated profit attributable to equity shareholders of the Company of approximately RMB65,904,000 (2005: RMB50,602,000) and the weighted average number of 544,800,000 (2005: 467,625,000) ordinary shares in issue during the period.

(b) Diluted earnings per share

The calculation of diluted earnings per share for the six months ended 31 December 2006 was based on the unaudited consolidated profit attributable to equity shareholders of the Company of approximately RMB65,904,000 (2005: RMB48,988,000) and the weighted average number of 553,516,000 (2005: 561,150,000) ordinary shares in issue during the period after adjusting for the effect of all dilutive potential ordinary shares.

6. SEGMENT REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group in making operating and financial decisions.

Business segment

The Group comprises the following main business segments:

PCBs	:	the manufacture and sale of PCBs
PCBs assembling products	:	the manufacture and sale of PCBs assembling products
SMT processing	:	the provision for service mount technology processing service

	PCBs Six months ended 31 December		PCBs assembling products Six months ended 31 December		SMT Processing Six months ended 31 December		Inter-segment elimination Six months ended 31 December		Unallocated Six months ended 31 December		Consolidated Six months ended 31 December	
	2006	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Revenue from external customers	**266,501**	207,445	**63,261**	15,941	**14,741**	—	**—**	—	**—**	—	**344,503**	223.386
Inter-segment revenue	**105**	575					**(105)**	(575)	**—**	—	**—**	—
Total	**266,606**	208,020	**63,261**	15,941	**14,741**	—	**(105)**	(575)	**—**	—	**344,503**	223,386
Segment result	**91,809**	72,799	**6,653**	1,019	**2,309**	—	**—**	—	**—**	—	**100,771**	73,818
Unallocated operating income & expenses											**(11,566)**	(1,754)
Profit from operations											**89,205**	72,064
Finance costs											**(8,974)**	(6,886)
Taxation											**(11,152)**	(11,561)
Minority interests											**(3,175)**	(3,015)
Profit after taxation											**65,904**	50,602
Depreciation & amortisation	**9,281**	8,730	**811**	—	**282**	1,425	**—**	—	**45**	15	**10,419**	10,170
Segment assets	**1,084,936**	912,187	**206,822**	—	**71,780**	168,185	**(129,322)**	(142,700)	**42,390**	83,069	**1,276,606**	1,020,741
Segment liabilities	**314,112**	274,160	**116,963**	—	**40,593**	64,821	**(129,322)**	(142,700)	**95,340**	166,927	**437,686**	363,208
Capital expenditure	**12,565**	54,646	**16,721**	—	**5,803**	64,877	**—**	—	**13**	—	**35,102**	119,523

7. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors with the following aging analysis:

	As at 31 December 2006	As at 30 June 2006
	RMB'000	*RMB'000*
Invoice date:		
— Within 3 months	**179,734**	170,281
— 3 to 6 months	**52,248**	58,042
— 6 to 12 months	**2,684**	1,218
— More than 12 months	**4,354**	4,499
	239,020	234,040
Less: Impairment losses	**(11,649)**	(11,649)
	227,371	222,391

Normally, these receivables are due within 90 to180 days from the date of billing. Debtors with balances that are more than 6 months overdue are requested to settle all outstanding balances before any further credit is granted.

8. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with the following aging analysis:

	As at 31 December 2006 *RMB'000*	As at 30 June 2006 *RMB'000*
Due within 6 months or on demand	**66,996**	79,506
Due after 6 months but within 1 year	**14,541**	2,394
Due after 1 year	**2,678**	284
	84,215	82,184

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's financial performance for the six months ended 31 December 2006 recorded a steady upward growth with a double-digit increase in both turnover and net profit. During the period under review, turnover of the Group amounted to RMB344,503,000 (2005: RMB223,386,000), representing an increase of approximately 54.2% as compared to the corresponding period last year. The Group managed to achieve satisfactory results during the period primarily due to the increased utilization rate and production capacity of two subsidiary companies, so as to expand its scope of operations and attain even greater economies of scale.

The gross profit for the period under review reached approximately RMB109,870,000 as compared to approximately RMB88,412,000 for previous period. Operating profit and profit attributable to equity shareholders of the Company were RMB89,205,000 (2005: RMB72,064,000) and RMB65,904,000 (2005: RMB50,602,000) respectively, representing increases of 23.8% and 30.2% respectively as compared to previous period. Earnings per share was RMB12 cents (2005: RMB11 cents).

Business Review

The Group is principally engaged in the manufacturing and sale of rigid printed circuit boards ("PCBs") and flexible printed circuit boards ("FPCBs"). It also provides printed circuit board assembly ("PCBA") and sub-contracting services. The products are widely applied in consumer electronics products, including liquid crystal displays ("LCDs"), Playstation3 ("PS3"), multi-media products and mobile phones. During the period, except sales of rigid PCBs decreased by 1.2%, sales of FPCBs and PCBA services and surface mounting technology ("SMT") processing services increased by 628.6% and 389.3% respectively. The strong results in the Period are mainly attributed to strong orders from clients driven by the high demand for consumer electronics products in China.

Rigid PCBs remains the core business of the Group. It continued to receive strong orders from clients during the period. The utilization rate of the PCB production plant, however, has reached its full capacity.

Since the global trend of outsourcing Electronic Manufacturing Services ("EMS") to low-cost countries has become more feverish, the FPCB industry has been steadily moving to China and the Group has greatly benefited. The FPCB business recorded an enormous number of orders in the period. At the same time, the Group increased the utilization rate of the FPCB production plant from 60% in June 2006 to 80% in December 2006 to cope with the surging demand. As a result, sales of FPCBs achieved a growth of 628.6% to RMB71,124,000.

As a pioneer of one-stop EMS provider, the Group provides integrated services ranging from manufacturing to assembly services. It shortens the production cycle and product delivery time. The Group started PCBA and SMT services in 2004 to provide comprehensive EMS solutions. In the period, the Group's downstream PCBA and SMT services recorded strong revenue growth of 389.3% to RMB78,002,000. This proved the success of the Group's strategy in trying to become a leading one-stop EMS provider in the sector.

Segmental Information

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because it is more relevant to the Group in making operational and financial decisions.

Rigid PCBs

During the period under review, PCBs sales amounted to RMB195,377,000 (2005: RMB197,683,000), representing approximately 56.7% of the Group's total revenue. Operating profit of this business segment was RMB78,324,000 (2005 (restated): RMB74,472,000), an increase of 5.2% compared with the same period in the preceding year.

FPCBs

Sales of FPCBs in the period reached approximately RMB71,124,000 (2005: RMB9,762,000), accounting for 20.6% of the Group's total revenue. Operating profit was approximately RMB13,485,000 (2005 (restated): RMB(1,673,000)).

PCBA

Revenue from PCBA services during the period was approximately RMB63,261,000 (2005: RMB15,941,000), or 18.4% of the Group's total revenue. Operating profit was approximately RMB6,653,000 (2005 (restated): RMB1,019,000), an increase of 552.9% from the same period last year.

Provision of SMT processing services

This business segment recorded a revenue of approximately RMB14,741,000 (2005: Nil), representing 4.3% of the Group's total sales. Operating profit was RMB2,309,000 (2005: Nil).

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained the largest segment, generating 80.8% (2005: 81.3%) of the Group's turnover. About 9.0% (2005: 8.6%) was attributed to sales to Australia for the period under review. The balance of approximately 10.2% of the Group's turnover (2005: 10.1%) was taken up by Germany, Hong Kong, Taiwan and other countries or regions.

Manufacturing Facilities

Fuqing Plant, Fujian Province

The manufacturing facility in Fuqing, Fujian Province focuses on the production of rigid PCBs including double-sided and multilayer PCBs. It covers an area of 55 Chinese acres, or about 36,669 square meters. Thanks to the strong orders from clients, the Fuqing plant reached full production capacity in 2006. The Group has purchased a new plot of land covering 33 Chinese acres, or about 22,001 square meters as part of the expansion plan for the Fuqing plant. The new plant is expected to complete by the end of 2007, and production is expected to kick off in 2008. As a result, total production capacity of rigid PCBs will rise by 50% to 60,000 square meters per month in 2008.

Shuangxiang Electronics ("Mawei Plant"), Fujian Province

The production plant located in Mawei, Fuzhou city, is involved with PCBA and SMT processing services. In January 2006, the plant owned 4 SMT production lines, and the number rose to 6 within 6 months. The Group will further expand the Mawei plant in order to cope with the growth in demand for its PCBA and SMT business. The Group purchased a site with an area of 53 Chinese acres, or about 35,335 square meters, in an area adjacent to the factory. The site is currently under construction and is expected to complete by April 2007. Upon completion, the PCBA and SMT facilities will move from the current rental site to a self-owned production plant with a total of 8 SMT production lines. The number of lines is expected to climb to 14–16 within 2–3 years.

Gemini Electronics, Guangdong Province

Gemini Electronics is located in Huizhou, Guangdong Province, and focuses on the manufacturing of FPCBs. The site covers 70 Chinese acres, or approximately 46,669 square meters. Due to the surging demand for FPCBs, the utilization rate of the plant has been on the rise. It climbed from 40% in January 2006 to 60% in June 2006 and 80% in December 2006. The utilization rate is expected to reach its full gear in March or April 2007. The Group plans to add more equipment to raise production capacity by 50% to 15,000 square meters per month to meet the demand for FPCBs.

Prospect

The demand for electronics products will continue to surge in the future. BPA Consulting expects PCB demand in China to enjoy an annual growth rate of 15.2%, from US$6.85 billion in 2003 to US$13.88 billion in 2008. It also estimates that the China market, the largest in the world, will account for approximately one-third of global demand by then. International Data Corporation has forecast that the EMS industry saw significant revenue growth during 2005 and the first half of 2006 as demand surged, outsourcing increased and new market segments opened up for EMS firms. As a well-established one-stop solution provider in the industry, the Group is confident of achieving further growth.

According to IPC Association Connecting Electronics Industries (formerly known as Institute of Interconnecting and Packaging Electronics Circuits), the global production value of FPCBs will grow by 13–15% annually thanks largely to their thin and light feature. The Group will continue to expand its production capacity in the FPCB plant to seize the opportunities in the flourishing market. Meanwhile, the Group is developing Flexible-Rigid PCBs and plans to expand production in the future. The continuous expansion of its production will further boost the Group's revenue.

The Group is also taking advantage of the rapidly developing automotive business in the PRC. As a luxury consumer item, the automotive provides a high margin for manufacturers. Seizing the golden opportunity, the Group is developing PCBs which can be applied to automotive components. The move is in line with market trends and will further boost the Group's manufacturing business and enhance profit margin.

In addition, the Group's FPCB business has achieved various environmental protection standards during the period. The rigid PCB business has also obtained all ISO certifications. All these help to further ensure the quality of the Group's products.

With the positive outlook for the consumer electronics products market and higher demand for PCBs, management is confident of the Group's future. The Group will continue to seek opportunities to enhance revenue growth and maximize returns for shareholders.

Liquidity and Financial Resources and Capital Structure

For the six months ended 31 December 2006, the Group's working capital requirement was principally financed by its internal resources and banking facilities and convertible bonds.

As at 31 December 2006, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB607,643,000 (30 June 2006: RMB572,803,000), RMB493,191,000 (30 June 2006: RMB383,386,000) and RMB874,022,000 (30 June 2006: RMB738,154,000) respectively.

As at 31 December 2006, the Group had total borrowings (excluding obligations under finance leases) of RMB216,897,000 (30 June 2006: RMB300,717,000), comparing utilised bank loan facilities of RMB216,897,000 (30 June 2006: RMB229,391,000) from several banks and no convertible bonds (30 June 2006: RMB71,326,000), of the total utilised bank loans of RMB186,897,000 (30 June 2006: RMB199,391,000) for short term and the remainder of RMB30,000,000 (30 June 2006: RMB30,000,000) for long term. Included in these utilised bank loans, RMB177,800,000 were secured by corporate guarantees given by the Company and the remaining balance RMB39,097,000 were unsecured. Besides, the Group had no available undrawn committed borrowing facilities (30 June 2006: RMB40,000,000) in respect of which all condition precedent had been met and had obligations under finance leases of RMB8,524,000 (30 June 2006: RMB13,135,000) denominated in Hong Kong Dollars. The total borrowings were mainly for business expansion, capital expenditure and working capital purposes. The Group's short term and long term borrowings were mainly denominated in Renminbi and US Dollars. Loan facilities were granted to the Group at the normal market interest rates.

On 18 July 2006, the Company received a conversion notice in respect of the conversion of the convertible bonds in the principal amounts of US$10,000,000 (equivalent to approximately HK$77,762,000) at the conversion price of HK$0.909 per share, being the floating conversion price calculated based on 90% of the average of four consecutive closing prices per share during the 30 consecutive business days immediately prior to the date on which a conversion notice is received by the Company. As a result of the conversion, on 19 July 2006 (i) 85,544,000 conversion shares were allotted and issued; and (ii) a cash payment of an amount of HK$2,798.06 for the odd lot of 2,754 conversion shares was paid. As a results, there are no convertible bonds remained outstanding and the total number of issued shares of the Company as at 31 December 2006 is 553,169,000.

The shareholders' equity of the Group as at 31 December 2006 increased by RMB168,887,000 to RMB838,920,000 (30 June 2006: RMB670,033,000). The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: equity holders of the parent) of the Group as at 31 December 2006 was approximately 0.52 (30 June 2006: 0.74).

Saved as disclosed elsewhere on the Management Discussion and Analysis, there is no changes in the Company's share capital.

Significant Investments

Saved as disclosed elsewhere on the Management Discussion and Analysis, the Group had no other significant investment held during the six months ended 31 December 2006.

Acquisition and Disposal of Subsidiaries and Associated Companies

On 28 December 2006, the Group entered into the acquisition agreement with a third party independent of the Group and connected person of the Group in relation to the acquisition of 5% equity interest in Fujian Fuqiang Delicate Circuit Plate Co., Ltd. (the "Acquisition") at a consideration of RMB15,000,000 (the "Consideration") such that the Group's equity interest in Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fujian Fuqiang") will be increased from 95% to 100%. The Consideration will be payable in cash by the Purchaser to the Vendor by instalments. Following the Acquisition, Fujian Fuqiang will become an indirect wholly-owned subsidiary of the Company.

Following the completion of the Acquisition, a gain of approximately RMB19,418,000 would be recognised by the Group for the six months ended 31 December 2006. The gain is calculated based on the difference between the consideration of the Acquisition and the unaudited carrying amount of interest in Fujian Fuqiang of RMB691,359,000 in the Group's accounts as at 31 December 2006.

Saved as disclosed elsewhere on the Management Discussion and Analysis, during the six months ended 31 December 2006, the Group had no other material acquisition and disposals of subsidiaries and affiliated companies.

Employment Information

As at 31 December 2006, the Group employed a total of 1,776 (2005: 1,177) employees. It is a policy of the Group to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the six months ended 31 December 2006, the employment cost (including directors' emoluments) amounted to approximately RMB7,305,000. In order to align the interests of staff, directors and consultants with the Group, share options would be granted to staffs, directors and consultants under the Company's 2003 share options schemes ("2003 Scheme"). As at 31 December 2006, there are 16,000,000 share options outstanding under the 2003 Scheme.

Charges on Group Assets

As at 31 December 2006, there were no charges on group assets.

Future Plans for Material Investments and Expected Sources of Funding

Save as disclosed elsewhere in the Management Discussion and Analysis, as at 30th June 2006, the Group had no future plans for material investments.

The management will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

Exposure to Fluctuations in Exchange Rates

During the six months ended 31 December 2006, the Group experiences only immaterial exchange rate fluctuations as most of the Group's monetary assets and liabilities are denominated in Hong Kong Dollars, US Dollars and Renminbi, and the Group conducted its business transactions principally in Hong Kong Dollars, US Dollars and Renminbi, all of which were relatively stable during the period under review. The Group considered that as the exchange rate risks of the Group is considered to be minimal, the Group did not employ any financial instruments for hedging purposes.

Capital Commitment

As at 31 December 2006, in respect of capital expenditures, the Group had contracted but not provided for capital commitment in the financial statements amounted to approximately RMB91,067,000.

Contingent Liabilities

As at 31 December 2006, the Group did not have any material contingent liabilities.

DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 31 December 2006 (2005: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 31 December 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

In the opinion of the Board, the Company has complied with the code provisions in Code of Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited ("Listing Rules") except the following major deviations:

Code Provision A.4.1

This code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

All independent non-executive directors of the Company are not appointed for a specific term but are subject to retirement by rotation in accordance with the Articles of Association of the Company.

Code Provision E.1.2

Under the code provision E.1.2 of CG Code, the chairman of the board should attend, and the chairmen of the audit and remuneration committees should be available to answer questions at, the annual general meeting of the Company.

The chairman of the Board (also as the chairman of the remuneration committee) and the chairman of the audit committee were unable to attend the annual general meeting of the Company held on 22 December 2006 in person, but the chairmen of the Board, remuneration committee and audit committee have already delegated to one of the executive directors of the Company to chair the meeting and answered questions at the annual general meeting on their behalf.

MODEL CODE

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors (the "Model Code"). Having made specific enquiry of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code for the period under review.

REMUNERATION COMMITTEE

The remuneration committee, currently comprising executive director Mr. Lin Wan Qaing, and independent non-executive directors Mr. Pan Chang Chi and Mr. Cai Xun Shan, is responsible for advising the Board on the remuneration policy and framework of the Company's directors and senior management, as well as review and determine the remuneration of all executive directors and senior management with reference to the Company's objectives from time to time.

AUDIT COMMITTEE

The Company has established an audit committee in 8 May 2001 with written terms of reference. The duties of the audit committee are to review and discuss on the effectiveness of the external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim reports and to provide advice and comments to the Board. The audit committee comprised three Independent Non-executive Directors, namely Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen. The audit committee had met to review the interim results of the Group for the six months ended 31 December 2006.

On behalf of the Board
Liu Zhao Cai
Chairman

Hong Kong, 22 March 2007

As at the date of this announcement, the Board comprises Mr. Liu Zhao Cai, Mr. Xiang Song, Mr. Lin Wan Qaing, Mr. Hu Zhao Rui and Mr. Tong Yiu On as executive directors, and Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen as independent non-executive directors.

* *For identification purpose only*

"*Please also refer to the published version of this announcement in* ***The Standard***."