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 ANNUAL RESULTS FOR THE YEAR ENDED 30 JUNE 2007

RESULTS

The board of directors (the "Board" or the "Directors") of Sinotronics Holdings Limited (the "Company" or "Sinotronics") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 30 June 2007 together with the comparative figures for the corresponding year ended 30 June 2006.

Consolidated Income Statement

For the year ended 30 June 2007

	Note	**2007** ***RMB'000***	2006 *RMB'000*
Turnover	4	**695,936**	525,953
Cost of sales		**(476,892)**	(339,663)
Gross profit		**219,044**	186,290
Other revenue		**8,061**	7,124
Other net income		**8,623**	1,607
Distribution costs		**(7,827)**	(6,499)
Administrative expenses		**(34,102)**	(24,994)
Other operating expenses		**(1,882)**	(977)
Profit from operations		**191,917**	162,551
Finance costs	5(a)	**(49,962)**	(33,239)
Profit before taxation	5	**141,955**	129,312
Income tax	6	**(23,695)**	(21,225)
Profit for the year		**118,260**	108,087
Attributable to:			
Equity shareholders of the Company		**115,085**	101,816
Minority interests		**3,175**	6,271
Profit for the year		**118,260**	108,087
Dividends payable to equity shareholders of the Company attributable to the year:	7		
Final dividend proposed after the balance sheet date		**18,838**	19,942
Earnings per share	8		
Basic		**21 cents**	22 cents
Diluted		**20 cents**	21 cents

Consolidated Balance Sheet

As at 30 June 2007

	Note	2007 RMB'000	2006 RMB'000
Non-current assets			
Property, plant and equipment		**358,242**	331,957
Interests in leasehold land held for own use under operating lease		**17,159**	17,616
Purchase deposits of property, plant and equipment		**11,557**	1,765
Purchase deposits of leasehold land		**1,916**	—
Deferred tax assets		**2,056**	3,430
		390,930	354,768
Current assets			
Trading securities		**—**	102
Inventories		**36,100**	28,464
Trade and other receivables	10	**262,691**	240,219
Fixed deposits		**75,660**	—
Cash and cash equivalents		**728,432**	572,803
		1,102,883	841,588
Current liabilities			
Trade and other payables	11	**159,815**	175,729
Short-term bank loans		**146,498**	199,391
Obligations under finance leases		**3,059**	6,257
Taxation		**6,416**	5,499
Derivative financial instruments		**151,280**	—
Convertible bonds		**—**	71,326
		467,068	458,202
Net current assets		**635,815**	383,386
Total assets less current liabilities		**1,026,745**	738,154
Non-current liabilities			
Non-current bank loans		**136,539**	30,000
Obligations under finance leases		**3,419**	6,878
		139,958	36,878
NET ASSETS		**886,787**	701,276
Capital and reserves			
Share capital		**58,123**	49,568
Reserves		**828,664**	620,465
Total equity attributable to equity shareholders of the Company		**886,787**	670,033
Minority interests		**—**	31,243
TOTAL EQUITY		**886,787**	701,276

Notes:

1. STATEMENT OF COMPLIANCE

These consolidated financial results 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 results also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

2 CHANGES IN ACCOUNTING POLICIES

The accounting policies used in the preparation of the consolidated financial results for the year ended 30 June 2007 are consistent with those set out in the Annual Report for the year ended 30 June 2006 except that the Group has changed its accounting policy relating to financial guarantees issued following the adoption of the Amendment to Hong Kong Accounting Standard 39 "Financial instruments: recognition and measurement on financial guarantee contracts". The adoption of this amendment has no significant financial impact on the Group's results of operations and financial position for the years ended 30 June 2007 and 2006.

3. REVENUE RECOGNITION

Provided it is probable that the economic benefits will flow to the Group and the revenue and cost, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Sales of goods

Revenue arising from the sale of goods is recognised on delivery of goods to customers 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 and is stated after deduction of any trade discounts.

(ii) Processing service income

Processing service income are recognised when services are rendered.

(iii) Interest income

Interest income is recognised as it accrues using the effective interest method.

4. TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sale 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:

	2007	2006
	RMB'000	*RMB'000*
Sales of PCBs	**541,274**	454,784
Sales of PCBs assembling products	**147,806**	45,363
SMT processing service income	**6,856**	25,806
	695,936	525,953

5. PROFIT BEFORE TAXATION

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

		2007 *RMB'000*	2006 *RMB'000*
(a)	Finance costs:		
	Interest on bank loans wholly repayable within five years	**17,326**	11,923
	Finance charges on obligations under finance leases	**668**	1,217
	Interest on convertible bonds wholly repayable within five years	**300**	6,002
	Fair value adjustments		
	— Embedded call option attached to convertible bonds	**(2,496)**	13,966
	— Derivative financial instruments	**38,959**	—
	Other borrowing costs	**171**	131
	Total borrowing costs	**54,928**	33,239
	Less: borrowing costs capitalised into construction in progress*	**4,966**	—
		49,962	33,239

* The borrowing costs have been capitalised at rates of 5.22% – 6.71% per annum (2006: Nil).

		2007 *RMB'000*	2006 *RMB'000*
(b)	Staff costs:#		
	Contributions to defined contribution retirement plans	**6,538**	3,434
	Equity-settled share-based payment expenses	**3,065**	—
	Salaries, wages and other benefits	**32,345**	25,414
		41,948	28,848
(c)	Other items:		
	Cost of inventories#	**476,892**	339,663
	Amortisation of interest in leasehold land held for own use under operating lease#	**457**	276
	Depreciation#		
	— owned fixed assets	**19,492**	15,695
	— assets held for use under finance lease	**3,593**	3,258
	Operating lease rentals for premises#	**2,275**	1,787
	Auditors' remuneration		
	— audit service	**2,128**	1,980
	— other services	**—**	50
	Impairment losses of trade and other receivables	**721**	2,087
	Reversal of impairment losses of trade and other receivables	**(9,732)**	(2,940)
	Gain on disposal of trading securities	**(98)**	(10)

\# Cost of inventories includes RMB50,866,815 (2006: RMB38,510,000) relating to staff costs, depreciation expenses, operating lease charges and amortisation of interest in leasehold land held for own use under operating lease, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. INCOME TAX

	2007 *RMB'000*	2006 *RMB'000*
Current tax		
Provision for PRC enterprise income tax	**22,997**	21,756
Deferred tax		
Origination and reversal of temporary differences	**698**	(531)
	23,695	21,225

Notes:

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.

(i) 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 years presented.

(ii) 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, two subsidiaries in the PRC are fully exempt from PRC enterprise income tax until 31 December 2007. Thereafter, they will be entitled to a 50% reduction of PRC income tax for the next three years.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the People's Republic of China ("New Tax Law") which will take effect on 1 January 2008. From 1 January 2008, the existing preferential tax rate is expected to gradually increase to the standard rate of 25% over a five-year transition period. However, the New Tax Law has not set out the details as to how the existing preferential tax rate will gradually increase to the standard rate of 25%. The enactment of the New Tax Law is not expected to have a significant financial effect on the amount accrued in the balance sheet in respect of current tax payable and the carrying value of deferred tax balance at 30 June 2007.

7. DIVIDENDS

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2007	2006
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK$0.035 (equivalent to approximately RMB0.03375) per ordinary share (2006: HK$0.035 (equivalent to approximately RMB0.03605) per ordinary share)	**18,838**	19,942

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2007	2006
	RMB'000	*RMB'000*
Final dividend of HK$0.035 (equivalent to approximately RMB0.035 per ordinary share (2006: HK$0.035 (equivalent to approximately RMB0.0364) per ordinary share) in respect of the previous financial year, approved and paid during the year	**19,274**	17,022

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately RMB115,085,000 (2006: RMB101,816,000) and the weighted average number of 548,950,000 (2006: 467,625,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2007	2006
	'000	*'000*
Issued ordinary shares at 1 July	**467,625**	467,625
Effect of conversion of convertible bonds	**81,325**	—
Weighted average number of ordinary shares at 30 June	**548,950**	467,625

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of approximately RMB112,863,000 (2006: RMB118,863,000) and the weighted average number of 553,794,000 (2006: 561,150,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

(i) Profit attributable to equity shareholders of the Company (diluted)

	2007	2006
	RMB'000	*RMB'000*
Profit attributable to equity shareholders	**115,085**	101,816
Adjustments in respect of interest costs and exchange difference on convertible bonds and change in fair value of embedded call option attached to convertible bonds	**(2,222)**	17,047
	112,863	118,863

(ii) Weighted average number of ordinary shares (diluted)

	2007	2006
	'000	*'000*
Weighted average number of ordinary shares	**548,950**	467,625
Effect of deemed issue of ordinary shares under the Company's share option scheme for HK$1 consideration per share	**625**	—
Deemed issue of ordinary shares as a result of conversion of convertible bonds for nil consideration	**4,219**	93,525
Weighted average number of ordinary share (diluted) at 30 June	**553,794**	561,150

9. 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's internal financial reporting.

Business segments

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		**PCBs assembling products**		**SMT Processing**		**Inter-segment elimination**		**Unallocated**		**Consolidated**	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
	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	**541,274**	454,784	**147,806**	45,363	**6,856**	25,806	**—**	—	**—**	—	**695,936**	525,953
Inter-segment revenue	**105**	809	**—**	—	**—**	9	**(105)**	(818)	**—**	—	**—**	—
Total	**541,379**	455,593	**147,806**	45,363	**6,856**	25,815	**(105)**	(818)	**—**	—	**659,936**	525,953
Segment result	**190,163**	165,202	**15,723**	1,316	**729**	2,879	**—**	—	**—**	—	**206,615**	169,397
Unallocated operating income and expenses											**(14,698)**	(6,846)
Profit from operations											**191,917**	162,551
Finance costs											**(49,962)**	(33,239)
Taxation											**(23,695)**	(21,225)
Minority interests											**(3,175)**	(6,271)
Profit after taxation											**115,085**	101,816
Depreciation and amortisation	**21,225**	17,608	**2,173**	480	**101**	1,051	**—**	—	**43**	90	**23,542**	19,229
Segment assets	**997,181**	1,044,274	**284,628**	74,757	**13,203**	159,134	**(76,133)**	(138,867)	**274,934**	57,058	**1,493,813**	1,196,356
Segment liabilities	**139,725**	312,168	**206,505**	75,557	**9,579**	159,449	**(76,133)**	(138,867)	**327,350**	86,773	**607,026**	495,080
Capital expenditure	**21,443**	81,655	**23,361**	29,991	**—**	65,581	**—**	—	**11**	—	**44,815**	177,227

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

The Group's business is principally managed in the PRC, and the Group's customers are mainly located in the PRC (excluding Hong Kong and Taiwan), Australia and Germany.

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Segment revenue		
— PRC, excluding Hong Kong and Taiwan	**565,423**	440,976
— Australia	**48,849**	42,197
— Hong Kong	**41,455**	12,808
— Germany	**8,417**	6,498
— Malaysia	**3,411**	—
— USA	**2,064**	—
— Others	**26,317**	23,474
Total revenue from external customers	**695,936**	525,953
Segment assets		
— PRC, excluding Hong Kong and Taiwan	**1,203,879**	1,139,298
— Others	**289,934**	57,058
	1,493,813	1,196,356
Capital expenditure incurred during the year		
— PRC, excluding Hong Kong and Taiwan	**44,804**	177,227
— Others	**11**	—
	44,815	177,227

10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables and bills receivable with the following ageing analysis:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Invoice date:		
— Within 3 months	**159,571**	170,281
— 3 to 6 months	**80,574**	58,042
— 6 to 12 months	**13,123**	1,218
— More than 12 months	**4,778**	4,499
	258,046	234,040
Less: Impairment losses	**(7,878)**	(11,649)
	250,168	222,391

Normally, these receivables are due within 90 days to 180 days from the date of billing. Debtors with balances that are more than six months overdue are requested to settle all outstanding balances before any further credit is granted.

11. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables and bills payable with the following ageing analysis:

	The Group	
	2007	2006
	RMB'000	*RMB'000*
Due within 6 months or on demand	**95,245**	79,506
Due after 6 months but within 1 year	**10,190**	2,394
Due after 1 year	**3,115**	284
	108,550	82,184

DIVIDEND

The Board recommended the payment of a final dividend of HK$0.035 (equivalent to approximately RMB0.03375) (2006: HK$0.035 (equivalent to approximately RMB0.03605)) per share for the year ended 30 June 2007. The final dividend, subject to shareholders' approval at the forthcoming annual general meeting to be held on 21 December 2007, will be payable to the shareholders whose names appear on the Register of Members of the Company on 21 December 2007 and will be paid on or around 18 January 2008.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18 December 2007 to 21 December 2007, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for the final dividend, all transfers, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's Hong Kong branch share registrars, Hong Kong Registrars Limited of shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 17 December 2007.

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's financial performance for the year ended 30 June 2007 recorded a steady upward growth with an increase in both turnover and net profit. During the year, turnover of the Group amounted to RMB695,936,000 (2006: RMB525,953,000), representing an increase of approximately 32.3% as compared to the corresponding period last year. The Group managed to achieve satisfactory results during the year 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 year reached approximately RMB219,044,000 as compared to approximately RMB186,290,000 for last year. The decrease in overall gross profit margin was due to the increase in raw material prices and changes in products mix. Operating profit and profit attributable to equity shareholders were RMB191,917,000 (2006: RMB162,551,000) and RMB115,085,000 (2006: RMB101,816,000) respectively, representing increases of approximately 18.1% and 13.0% respectively as compared to the corresponding period last year. Basic earnings per share was RMB21 cents (2006: RMB22 cents).

Loss arising from changes in fair value of the derivative financial instruments amounted to approximately RMB38,959,000 (2006: NIL). Ignoring the effect of such loss, the net profit attributable to equity shareholders for the year would be reached RMB154,044,000 representing an increase of 51.3% as compared to last year.

Business Review

The Group is principally engaged in the manufacturing and sale of rigid printed circuit boards ("PCBs") and flexible printed circuit boards ("FPCBs") and also provides printed circuit boards assembly ("PCBA") and surface mounting technology ("SMT") processing services. The products are widely applied in consumer electronics products, including liquid crystal displays, Playstation3, multi-media products and mobile phones. During the year, turnover of PCBs, FPCBs, PCBA and SMT increased by 2.2%, 107.9% and 117.3% respectively. The strong results in the year are mainly attributable to the strong orders from clients driven by the high demand for consumer electronics products in China.

During the year, rigid PCBs continued to receive strong orders from clients. However, as the utilization rate of the PCB production plant has reached full capacity, turnover attributable to this business only recorded a slight growth of 2.2%.

As the global trend of outsourcing Electronics Manufacturing Services ("EMS") to low-cost countries has become more feverish, the FPCB industry has been steadily moving to China and the Group has been greatly benefited. The FPCB business achieved an impressive performance during the year, with turnover reaching RMB150,249,000, representing a growth of 107.9% as compared to the corresponding period last year. To cope with the surging demand, the Group increased the monthly production capacity of FPCB from 10,000 square meters in June 2006 to 12,000 square meters in June 2007. Due to the improvement in the quality control and higher utilization, the Group was able to achieve higher gross margin in this segment. During the year, the Group also gained important new clients, such as Shanghai Hong Ri International Electronics Co., Ltd. (上海虹日國際電子有限公司), an international trading company, which is a supplier to Panasonic, and OMRON, which is a global leader in automation, sensing and control technology.

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. During the year, the Group's downstream PCBA and SMT services recorded strong turnover growth of 117.3% to RMB154,662,000. In particular, the robust growth for PCBA and SMT services was aided by the surge in demand for set-top boxes, as manufacturers prepare for the nation-wide conversion to digital television broadcasting in 2008.

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's internal financial reporting.

Rigid PCBs

During the year, sales of rigid PCBs amounted to RMB391,025,000 (2006: RMB382,498,000), representing approximately 56.2% of the Group's total turnover. Operating profit of this business segment was RMB159,549,000 (2006: RMB157,080,000), representing a growth of 1.6% compared with that of the preceding year.

FPCBs

Sales of FPCBs reached approximately RMB150,249,000 (2006: RMB72,286,000), which accounts for approximately 21.6% of the Group's total turnover during the year. Operating profit reached approximately RMB30,614,000 (2006: RMB8,122,000), representing a growth of 276.9% compared with that of the previous year. The significant increase in operating profit in FPCB sector was mainly due to the continuous strong demands from downstream, such as consumer electronics products, the increasing orders from existing clients and the new client orders.

PCBA

Turnover from PCBA services during the year amounted to approximately RMB147,806,000 (2006: RMB45,363,000), or 21.2% of the Group's total turnover. Operating profit was approximately RMB15,723,000 (2006: RMB1,316,000), representing an increase of 1,094.8% compared with that of the preceding year.

Provision of SMT processing services

Turnover contributed by SMT services recorded approximately RMB6,856,000 (2006: RMB25,806,000), accounting for 1.0% of the Group's total turnover. Operating profit was RMB729,000 (2006: RMB2,879,000), representing a decrease by 74.7% compared with that of the previous year.

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained the largest segment, generating 81.2% (2006: 83.8%) of the Group's turnover. About 7.0% (2006: 8.0%) was attributed to sales to Australia for the year. The balance of approximately 11.8% of the Group's turnover (2006: 8.2%) was taken up by Germany, Hong Kong, Taiwan and other countries.

Manufacturing Facilities

The Group currently operates three manufacturing facilities in the PRC, located in Fujian and Guangdong provinces. Details of the individual facilities are as follows:

Fuqing Plant, Fujian Province

The manufacturing facility in Fuqing city, 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. As a result, 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 construction of the new plant is expected to commence in early 2008, with production expected to commence in the third quarter of 2008. After the expansion, total production capacity of rigid PCBs will rise by 50% to 60,000 square meters per month.

Shuangxiang Electronics ("Mawei Plant"), Fujian Province

The production plant located in Mawei, Fuzhou city, Fujian province, is involved with PCBA and SMT processing services. In order to cope with the growth in demand for its PCBA and SMT solutions, the Group will further expand the Mawei Plant and has purchased a site with an area of 53 Chinese acres, or about 35,335 square meters, in an area adjacent to the current factory. The first phase of construction has been completed, as a result, production capability for PCBA services has been doubled, and SMT production capacity has increased by 25%. Upon completion of the expansion plan, the PCBA and SMT facilities will move from the current rental site to a self-owned production plant with a total of 8 SMT productions lines. The number of lines is expected to climb to 14-16 within 2-3 years.

Gemini Electronics ("Huizhou Plant"), Guangdong Province

The manufacturing facility in Huizhou city, Guangdong Province focuses on the production 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 rising and has reached full utilization during the year. The Group added additional equipment to increase production capacity to 12,000 square meters per month by June of 2007 to meet the surging demand for FPCBs.

FUTURE PROSPECT

China continues to maintain its rapid economic growth, and the country's consumer product industry is booming, especially for computers, electronics products and communication products. Special events such as the 2008 Beijing Olympic Games will also help to drive this growth. The national-wide migration from analog to digital television broadcasting by 2008 will create unprecedented demand for electronics products, especially television set-top boxes. These factors present the Group with a robust driver to continue building upon its PCB, FPCB and PCBA businesses.

Robust global market demand for electronics products and the rapid development of the communications industry combine to fuel the demand for PCB products. According to BPA Consulting, it is estimated that global PCB demand is expected to increase from US$28.83 billion in 2003 to approximately US$41.94 billion in 2008, representing a Compound Annual Growth Rate

("CAGR") of 7.8%. China will continue to be the largest market, accounting for approximately one-third of global demand in 2008. PCB demand in China is expected to increase from US$6.85 billion to US$13.88 billion, at a CAGR of 15.2%.

The Group is also taking advantage of the rapidly developing automotive business in the PRC. As a luxury consumer item, automobiles provide a high margin for manufacturers. Seizing this 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 view of the strong market demand, the Group will continue to enhance its production capacity and increase its turnover. By September 2007, Huizhou Plant has expanded its production capacity by adding an additional production site of 2,000 square meters. In relation to the PCBA business, the Group has moved into the new self-owned site in Mawei, Fujian in September this year. The Group is confident that PCBA and SMT services will provide further contribution to the Group's growth in the future.

As part of the Group's general management duties, the Group's management periodically formulates broad, medium to long term business directions for the Group's further developments, which includes (without limitations) general strategic planning and preliminary budgeting for a three-year period. Under the Group's three-year strategic planning at present, it is intended that the Group to continue its strategy to expand the aforementioned three plants through further upgrade the production facilities for rigid PCBs, FPCBs fabrication and PCB assembly, and that the Group intended to allow a budget of not more than RMB350 million of resources for the aforementioned strategy at present.

Leveraging on the rosy economic environment in China, it is the present intention of the Group to allocate not more than RMB200 million for potential merger and acquisition opportunities in the near future to speed up the growth process. With the Group's technical expertise and expanded production capacity, the management believes that the Group is well-positioned to capture opportunities to further enhance turnover growth and maximize returns for its shareholders.

Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2007, the Group's working capital requirement was principally financed by its internal resources, banking facilities and derivative financial instruments.

As at 30 June 2007, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB728,432,000 (2006: RMB572,803,000), RMB635,815,000 (2006: RMB383,386,000) and RMB1,026,745,000 (2006: RMB738,154,000) respectively.

As at 30 June 2007, the Group had total bank borrowings (excluding obligations under finance leases) of RMB283,037,000 (2006: RMB229,391,000), included in these utilized bank loans, RMB146,498,000 were short term with weighted average annual interest rate of 6.38% (2006: 6.36%) and RMB136,539,000 were long term with weighted average annual interest rate of 7.05% (2006: 5.85%). All of the utilized bank loans were secured by either corporate guarantees given by the Company, equity interest in operating subsidiaries and, interest in leasehold land given by subsidiary company. Besides, the Group had available RMB70,000,000 (2006: RMB40,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met and had obligations under finance leases of RMB6,478,000 (2006: RMB13,135,000) denominated in Hong Kong Dollars.

On 18 July 2006, the Company received a conversion notice in respect of the conversion of the convertible bonds in the principal amount 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 HK$2,798.06 for the odd lot of 2,754 conversion shares. There are no convertible bonds remained outstanding and the total number of issued shares of the Company as at 30 June 2007 is 553,169,000.

The Group had entered into two structured financial instruments (the "Instruments") with maturity in 2012 with a commercial bank, under which total upfront payments of approximately RMB113,490,000 were received at the inception of the Instruments. As at 30 June 2007, the fair value of the Instruments was RMB151,280,000. The total bank borrowings and structural financial instruments of the Group were mainly for business expansion, capital expenditure and working capital purposes and were mainly denominated in Renminbi and US Dollars.

Total equity attributable to equity shareholders of the Company as at 30 June 2007 increased by RMB185,511,000 to RMB886,787,000 (2006: RMB701,276,000). The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: equity shareholders of the Company) of the Group as at 30 June 2007 was approximately 0.68 (2006: 0.71).

Significant Investments

Saved as disclosed elsewhere on the Management Discussion and Analysis, the Group had no other significant investment held during the year ended 30 June 2007.

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 subsidary of the Company.

Following the completion of the Acquisition, a discount of approximately RMB19,418,000 would be recognised directly in the parent shareholders' equity for the six months ended 31 December 2006. The discount is calculated based on the difference between the consideration of the Acquisition and the unaudited carrying amount of interest in Fujian Fuqiang of RMB688,355,000 in the Group's accounts as at 31 December 2006.

Saved as disclosed elsewhere on the Management Discussion and Analysis, during the year ended 30 June 2007, the Group had no other material acquisition and disposal of subsidiaries and affiliated companies.

Employment Information

As at 30 June 2007, the Group employed a total of 1,917 (2006: 1,550) 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 year ended 30 June 2007, the employment cost (including directors' emoluments) amounted to approximately RMB41,948,000. In order to align the interests of staffs, directors and consultants with the Group, share options may be granted to staffs, directors and consultants under the Company's 2003 share options scheme ("2003 Scheme"). During the year ended 30 June 2007, the Group had granted 12,000,000 share options to the directors and staffs under the 2003 Scheme and there are 16,000,000 share options outstanding under the 2003 Scheme as at 30 June 2007.

Charges on Group Assets

As at 30 June 2007, a bank loan of US$15,000,000 (equivalent to RMB113,490,000) granted to the Company was secured by its entire equity interest in Superford, Tempest, Winrise and Herowin (the "BVI subsidiaries"). The BVI subsidiaries are the immediate holding companies of Fuqiang, Gemini, Shuangxiang and Haichuang, respectively (the "PRC subsidiaries"). The PRC subsidiaries are the operating subsidiaries of the Group. Total net asset value of the BVI and PRC subsidiaries as at 30 June 2007 was approximately RMB720,528,000.

Future Plans for Material Investments and Expected Sources of Funding

Save as disclosed elsewhere on the Management Discussion and Analysis, the Group had no future plans for material investments as at 30 June 2007.

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

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies principally in US dollars and Hong Kong dollars. The Group does not expect any appreciation or depreciation of the Renminbi against foreign currency which might materially affects the Group's result of operations. The Group did not employ any financial instruments for hedging purposes.

Capital Commitment

As at 30 June 2007, in respect of capital expenditures, the Group had contracted for but not provided in and authorized but not contract for capital commitment in the financial statements amounted to approximately RMB48,301,000 and RMB52,166,000 respectively.

Contingent Liabilities

As at 30 June 2007, the Group did not have any material contingent liabilities.

CORPORATE GOVERNANCE

The Group is committed to statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasizing accountability, transparency, independence, fairness and responsibility.

The Group has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 30 June 2007, 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

According to the code provision E.1.2 of the 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.

Mr. Lin Wan Qaing, the ex-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 they have already delegated to one of the executive Directors of the Company to chair the meeting and answer questions at the annual general meeting on their behalf.

Remuneration Committee

The Company established a remuneration committee in November 2005 with written terms of reference no less exacting terms than the CG Code. The remuneration committee 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 directors and senior management, including benefits in kinds, pension rights and compensation payments, with reference to the Company's objectives from time to time.

Audit Committee

The Company established an audit committee in May 2001 with written terms of reference revised to substantially the same as the provision as set out in the CG Code. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the group's audit. 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 is also responsible for reviewing and supervising the Group's financial reporting and internal control. The audit committee has reviewed the financial statements of the Company for the year ended 30 June 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30 June 2007, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

On behalf of the Board
Liu Zhao Cai
Chairman

Hong Kong, 24 October 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, Mr. Tong Yiu On and Mr. Lin Wan Xin 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*