# 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 2008 AND CHANGE OF CHAIRMAN

## RESULTS

The board of directors (the "Board" or the "Director(s)") of Sinotronics Holdings Limited (the "Company" or "Sinotronics") is pleased to announce the annual consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 30 June 2008 together with the comparative figures for the corresponding year ended 30 June 2007.

### Consolidated Income Statement

*For the year ended 30 June 2008*

| | *Note* | **2008** *RMB'000* | 2007 *RMB'000* |
|---|---|---|---|
| **Turnover** | 4 | **564,317** | 695,936 |
| Cost of sales | | **(392,348)** | (476,892) |
| **Gross profit** | | **171,969** | 219,044 |
| Other revenue | | **8,991** | 8,061 |
| Other net (loss)/income | | **(8,124)** | 8,623 |
| Distribution costs | | **(7,051)** | (7,827) |
| Administrative expenses | | **(41,882)** | (34,102) |
| Other operating expenses | | **(6,300)** | (1,882) |
| **Profit from operations** | | **117,603** | 191,917 |
| Finance costs | 5(a) | **(81,833)** | (49,962) |
| **Profit before taxation** | 5 | **35,770** | 141,955 |
| Income tax | 6 | **(24,591)** | (23,695) |
| **Profit for the year** | | **11,179** | 118,260 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **11,179** | 115,085 |
| Minority interests | | **—** | 3,175 |
| **Profit for the year** | | **11,179** | 118,260 |
| **Dividends payable to equity shareholders of the Company attributable to the year:** | 7 | | |
| Final dividend proposed after the balance sheet date | | **1,977** | 18,838 |
| **Earnings per share** | 8 | | |
| Basic | | **2 cents** | 21 cents |
| Diluted | | **2 cents** | 20 cents |

## Consolidated Balance Sheet

*As at 30 June 2008*

| | Note | 2008 RMB'000 | 2007 RMB'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **390,299** | 358,242 |
| Interests in leasehold land held for own use under operating lease | | **18,643** | 17,159 |
| Purchase deposits of property, plant and equipment | | **25,321** | 11,557 |
| Purchase deposits of leasehold land | | **—** | 1,916 |
| Deferred tax assets | | **2,147** | 2,056 |
| | | **436,410** | 390,930 |
| **Current assets** | | | |
| Inventories | | **45,459** | 36,100 |
| Trade and other receivables | 10 | **201,776** | 262,691 |
| Fixed deposits | | **—** | 75,660 |
| Pledged deposits | | **4,307** | — |
| Cash and cash equivalents | | **880,366** | 728,432 |
| | | **1,131,908** | 1,102,883 |
| **Current liabilities** | | | |
| Trade and other payables | 11 | **162,810** | 159,815 |
| Bank loans | 12 | **253,822** | 146,498 |
| Obligations under finance leases | | **2,591** | 3,059 |
| Taxation | | **4,729** | 6,416 |
| Derivative financial instruments | | **165,067** | 151,280 |
| | | **589,019** | 467,068 |
| **Net current assets** | | **542,889** | 635,815 |
| **Total assets less current liabilities** | | **979,299** | 1,026,745 |
| **Non-current liabilities** | | | |
| Bank loans | 12 | **30,000** | 136,539 |
| Obligations under finance leases | | **510** | 3,419 |
| Other long term payable | | **16,089** | — |
| Deferred tax liabilities | | **6,567** | — |
| | | **53,166** | 139,958 |
| **NET ASSETS** | | **926,133** | 886,787 |
| **Capital and reserves** | 13 | | |
| Share capital | | **58,661** | 58,123 |
| Reserves | | **867,472** | 828,664 |
| **Total equity attributable to equity shareholders of the Company** | | **926,133** | 886,787 |
| **Minority interests** | | **—** | — |
| **TOTAL EQUITY** | | **926,133** | 886,787 |

*Notes:*

## 1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The annual consolidated results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 30 June 2008 but are extracted from those financial statements.

The Group's consolidated 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. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value

— buildings held for own use; and

— derivative financial instruments.

## 2 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued certain new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial results for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided.

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 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 profit or loss as follows:

### (i) Sale of goods

Revenue arising from the sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with goods. 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:

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Sales of PCBs | **484,123** | 541,274 |
| Sales of PCBs assembling products | **59,481** | 133,536 |
| SMT processing service income | **20,713** | 21,126 |
| | **564,317** | 695,936 |

## 5. PROFIT BEFORE TAXATION

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

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| (a) Finance costs: | | |
| Interest on bank loans wholly repayable within five years | **22,729** | 17,326 |
| Finance charges on obligations under finance leases | **327** | 668 |
| Interest on convertible bonds wholly repayable within five years | **—** | 300 |
| Interest on other long term payable | **175** | — |
| Fair value adjustments | | |
| — Embedded call option attached to convertible bonds | **—** | (2,496) |
| — Derivative financial instruments | **60,334** | 38,959 |
| Other borrowing costs | **—** | 171 |
| Total borrowing costs | **83,565** | 54,928 |
| Less: borrowing costs capitalised into construction in progress* | **(1,732)** | (4,966) |
| | **81,833** | 49,962 |

* The borrowing costs have been capitalised at rates of 6.01%–6.10% per annum (2007: 5.22%–6.71%).

| | | 2008 | 2007 |
|---|---|---|---|
| | | ***RMB'000*** | *RMB'000* |
| (b) | Staff costs:# | | |
| | Salaries, wages and other benefits | **36,664** | 32,345 |
| | Contributions to defined contribution retirement plans | **12,972** | 6,538 |
| | Equity-settled share-based payment expenses | **—** | 3,065 |
| | | **49,636** | 41,948 |
| (c) | Other items: | | |
| | Cost of inventories# | **392,348** | 476,892 |
| | Amortisation of interest in leasehold land held for own use under operating lease# | **479** | 457 |
| | Depreciation# | | |
| | — owned fixed assets | **20,766** | 19,492 |
| | — assets held for use under finance lease | **3,669** | 3,593 |
| | Operating lease rentals for premises# | **1,772** | 2,275 |
| | Auditors' remuneration | **2,832** | 2,128 |
| | Gain on disposal of trading securities | **—** | (98) |
| | Deficit on revaluation of buildings held for own use | **4,533** | — |

\# Cost of inventories includes RMB57,369,000 (2007: RMB50,867,000) 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 or in note 5(b) for each of these types of expenses.

## 6. INCOME TAX

| | 2008 | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Current tax** | | |
| Provision for PRC enterprise income tax | **21,367** | 22,997 |
| **Deferred tax** | | |
| Origination and reversal of temporary differences | **2,908** | 698 |
| Effect of change in tax rate in PRC | **316** | — |
| | **3,224** | 698 |
| | **24,591** | 23,695 |

*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 years presented.

**(iii) PRC enterprise income tax**

The Company's subsidiaries in the PRC are subject to PRC Foreign Enterprise Income Tax ("FEIT") (prior to implementation of the New Corporate Income Tax ("CIT") law on 1 January 2008) and CIT starting 1 January 2008. Pursuant to the income tax rules and regulations of the PRC, the provision for PRC enterprise income tax of the Group is calculated based on the following rates:

| | *Note* | **2008** | 2007 |
|---|---|---|---|
| | | **CIT** | FEIT |
| Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang") | (1) | **18%** | 15% |
| Gemini Electronics (Huizhou) Co., Ltd ("Gemini") | (2) | **9%** | 0% |
| Shuangxiang (Fujian) Electronics Limited ("Shuangxiang") | (2) | **9%** | 0% |
| Fuqing Haichuang Electron Technology Co., Ltd. ("Haichuang") | (3) | **N/A** | N/A |

*Notes:*

(1) As Fuqiang is located in an economic and technological development zone, it is entitled to enjoy a 15% reduced tax rate up to 31 December 2007 under the old FEIT regime. Upon implementation of the new CIT law on 1 January 2008, Fuqiang is subject to CIT at a transitional reduced rate of 18%. The details are explained below.

(2) Pursuant to the income tax rules and regulations in the PRC, Gemini and Shuangxiang are fully exempt from PRC enterprise income tax until 31 December 2007. Thereafter, according to the grandfathering provisions governing the treatment of unexpired FEIT holiday after the implementation of the CIT law, both companies are subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years. In 2008, Gemini and Shuangxiang are subject to PRC enterprise income tax at a reduced rate of 9%. The details are explained below.

(3) Pursuant to the income tax rules and regulations in the PRC, Haichuang is not subject to PRC enterprise income tax as it did not commence business during the years presented.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the CIT Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, the State Council released the Implementation Rules to the CIT Law on 6 December 2007, and Notice on the Implementation Rules of the Grandfathering Relief under the Corporate Income Tax Law (Guo Fa [2007] No. 39) ("Notice 39") on 26 December 2007.

According to the New Tax Law, effective 1 January 2008, the standard income tax rate for PRC enterprises is reduced from 33% to 25%. Further, according to the Notice 39, for enterprise located in economic and technological development zones which had previously enjoyed a 15% reduced tax rate, the tax rate will gradually increase to 25% during a 5-year transition period according to the following schedule: 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 (the "five-year transition rate").

Furthermore, as production-oriented FIEs, Gemini and Shuangxiang had kick started their FEIT Tax Holiday ("Tax Holiday") in year 2006. As such, the companies were exempted from FEIT in years 2006 and 2007. According to Notice 39, unexpired Tax Holiday enjoyed by FIE established before 16 March 2007 is allowed to continue after implementation of CIT law on 1 January 2008 until expiry of Tax Holiday. As such, the applicable CIT rate of Gemini and Shuangxiang is 9% (50% of 18%) in year 2008; 10% (50% of 20%) in year 2009, 11% (50% of 22%) in year 2010; 24% (Tax Holiday expired) in year 2011 and 25% thereafter.

The deferred tax assets/liabilities of subsidiaries in the PRC are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

In addition, under the New Tax Law and Implementation Rules starting from 1 January 2008, dividends distributed by the PRC subsidiaries to their foreign holding investors are subject to withholding income tax at 10%, subject to reduction under double-taxation arrangements ("DTA"). Since the holding companies of the PRC subsidiaries are incorporated in the British Virgin Islands, which currently does not enter into a DTA with China, dividends distributed by the PRC subsidiaries would be subject to withholding tax at 10%. Dividend receivable by the Group from subsidiaries in the PRC in respect of their undistributed profits accumulated up to 31 December 2007 is exempted from withholding tax.

## 7. DIVIDENDS

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

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividend proposed after the balance sheet date of HK$0.004 (equivalent to approximately RMB0.003536) per ordinary share (2007: HK$0.035 (equivalent to approximately RMB0.03375) per ordinary share) | **1,977** | 18,838 |

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

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Final dividend of HK$0.035 (equivalent to approximately RMB0.0325 per ordinary share (2007: HK$0.035 (equivalent to approximately RMB0.035) per ordinary share) in respect of the previous financial year, approved and paid during the year | **18,164** | 19,274 |

## 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 RMB11,179,000 (2007: RMB115,085,000) and the weighted average number of 558,332,000 (2007: 548,950,000) ordinary shares in issue during the year, calculated as follows:

***Weighted average number of ordinary shares***

| | **2008** | 2007 |
|---|---|---|
| | ***'000*** | *'000* |
| Issued ordinary shares at 1 July 2007/2006 | **553,169** | 467,625 |
| Effect of share options exercised | **3,789** | — |
| Effect of exercise of subscription rights attached to convertible bonds | **1,408** | — |
| Effect of shares repurchased | **(34)** | — |
| Effect of conversion of convertible bonds | **—** | 81,325 |
| Weighted average number of ordinary shares at 30 June 2008/2007 | **558,332** | 548,950 |

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB11,179,000 (2007: RMB112,863,000) and the weighted average number of 560,339,000 (2007: 553,794,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

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

| | **2008** | 2007 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit attributable to equity shareholders | **11,179** | 115,085 |
| 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) |
| Profit attributed to ordinary equity shareholders (diluted) | **11,179** | 112,863 |

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

| | **2008** | 2007 |
|---|---|---|
| | ***'000*** | *'000* |
| Weighted average number of ordinary shares at 1 July 2007/2006 | **558,332** | 548,950 |
| Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration per share | **2,007** | 625 |
| Deemed issue of ordinary shares as a result of conversion of convertible bonds for nil consideration | **—** | 4,219 |
| Weighted average number of ordinary share (diluted) at 30 June 2008/2007 | **560,339** | 553,794 |

## 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 | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 | **2008** | 2007 |
| | ***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 | **484,123** | 541,274 | **59,481** | 133,536 | **20,713** | 21,126 | **—** | — | **—** | — | **564,317** | 695,936 |
| Inter-segment revenue | **—** | 105 | **—** | — | **—** | — | **—** | (105) | **—** | — | **—** | — |
| Total | **484,123** | 541,379 | **59,481** | 133,536 | **20,713** | 21,126 | **—** | (105) | **—** | — | **564,317** | 695,936 |
| Segment result | **133,508** | 190,163 | **(1,542)** | 14,205 | **(537)** | 2,247 | | | | | **131,429** | 206,615 |
| Unallocated operating income and expenses | | | | | | | | | | | **(13,826)** | (14,698) |
| Profit from operations | | | | | | | | | | | **117,603** | 191,917 |
| Finance costs | | | | | | | | | | | **(81,833)** | (49,962) |
| Taxation | | | | | | | | | | | **(24,591)** | (23,695) |
| Minority interests | | | | | | | | | | | **—** | (3,175) |
| Profit after taxation | | | | | | | | | | | **11,179** | 115,085 |
| Depreciation and amortisation for the year | **19,060** | 21,225 | **4,336** | 1,963 | **1,510** | 311 | **—** | — | **8** | 43 | **24,914** | 23,542 |
| Segment assets | **1,310,894** | 1,141,779 | **226,868** | 256,672 | **79,003** | 40,607 | **(60,248)** | (76,133) | **11,801** | 130,888 | **1,568,318** | 1,493,813 |
| Segment liabilities | **143,612** | 142,168 | **51,600** | 73,421 | **17,969** | 11,616 | **(60,248)** | (76,133) | **489,252** | 455,954 | **642,185** | 607,026 |
| Capital expenditure incurred during the year | **35,409** | 21,443 | **10,366** | 20,170 | **3,610** | 3,191 | **—** | — | **21** | 11 | **49,406** | 44,815 |

**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), Hong Kong, Australia and Germany.

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| Segment revenue | | |
| — PRC, excluding Hong Kong and Taiwan | **444,687** | 565,423 |
| — Hong Kong | **40,064** | 41,455 |
| — Australia | **37,131** | 48,849 |
| — Germany | **7,595** | 8,417 |
| — Malaysia | **3,154** | 3,411 |
| — USA | **1,186** | 2,064 |
| — Others | **30,500** | 26,317 |
| Total revenue from external customers | **564,317** | 695,936 |

All segment assets and related capital expenditure incurred during the year are located in the PRC (excluding Hong Kong and Taiwan) as at 30 June 2008 and 2007.

## 10. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| Current | **157,862** | 218,588 |
| Less than 1 month past due | **24,065** | 14,714 |
| 1 to 3 months past due | **7,678** | 14,854 |
| More than 3 months but less than 12 months past due | **3,519** | 2,012 |
| Amount past due | **35,262** | 31,580 |
| | **193,124** | 250,168 |

The movement in the allowance for doubtful debts during the year is as follows:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| At 1 July 2007/2006 | **7,878** | 11,649 |
| Impairment losses recognised | **3,328** | 721 |
| Write-back of impairment losses | **—** | (4,492) |
| At 30 June 2008/2007 | **11,206** | 7,878 |

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 as of the balance sheet date:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| Due within 6 months or on demand | **101,841** | 95,245 |
| Due after 6 months but within 1 year | **—** | 10,190 |
| Due after 1 year | **—** | 3,115 |
| | **101,841** | 108,550 |

## 12 BANK LOANS

At 30 June 2008, the bank loans were repayable as follows:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| Within 1 year or on demand | **253,822** | 146,498 |
| After 1 year but within 2 years | **30,000** | — |
| After 2 years but within 5 years | **—** | 136,539 |
| | **283,822** | 283,037 |

At 30 June 2008, the bank loans were secured as follows:

| | The Group | |
|---|---|---|
| | **2008** | 2007 |
| | ***RMB'000*** | *RMB'000* |
| Secured by leasehold land *(note (i))* | **77,000** | 42,000 |
| Secured by shares *(note (ii))* | **99,022** | 106,539 |
| Unsecured *(note (v))* | **107,800** | 134,498 |
| | **283,822** | 283,037 |

*Notes:*

(i) At 30 June 2008, certain interests in leasehold land held for own use under operating lease and buildings held for own use of RMB8,117,000 (2007: RMB8,199,000) were pledged to banks for bank loans totalling RMB77,000,000 (2007: RMB42,000,000) granted to the Group.

(ii) As at 30 June 2008, a bank loan of US$15,000,000 (equivalent to RMB102,852,000) (2007: 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 operating subsidiaries of the Group. Total net asset value of BVI and PRC subsidiaries as at 30 June 2008 was approximately RMB822,590,000 (2007: RMB720,872,000).

(iii) At 30 June 2008, the Group had undrawn committed borrowing facilities of RMBNil (2007: RMB70,000,000) in respect of which all conditions precedent had been met.

(iv) At 30 June 2008, the Company has breached one of the covenants of a bank loan amounting to RMB99,022,000, which required the Group to maintain its EBITDA, defined as the consolidated profits of the Group before interest expenses, tax on income and profits, tax credits, depreciation, amortisation, exceptional items, and any extraordinary items, of not less than seven times of the Group's interest expenses. Included in the amount utilised is RMB60,254,000 which, in accordance with the terms of the banking facility, was scheduled to be repaid after one year from the balance sheet date, but is classified as current liabilities in the consolidated and company balance sheets as at 30 June 2008 as the Company does not have an unconditional right at the balance sheet date to defer settlement for at least the next twelve months as a result of the breach of that covenant. The directors believe that the early repayment, if required, does not materially affect the Group's liquidity position as at 30 June 2008.

Other than the above, none of the covenants relating to drawn down facilities had been breached as at 30 June 2008 (2007: Nil).

(v) A corporate guarantee is issued by the Company in respect of bank loans of RMB83,800,000 (2007: RMB73,800,000) granted to subsidiaries. As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company at the balance sheet date under the guarantee issued amounted to RMB83,800,000 (2007: RMB73,800,000). The Company has not recognised any deferred income in respect of the guarantee as the fair value of such guarantee cannot be reliably measured and the transaction price was nil.

## 13. Capital and reserves

| | Attributable to equity shareholders of the Company | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share Capital *RMB'000* | Share premium *RMB'000* | Share-based compensation reserve *RMB'000* | Statutory reserve *RMB'000* | Capital reserve *RMB'000* | Exchange reserve *RMB'000* | Building valuation reserve *RMB'000* | Capital contribution reserve *RMB'000* | Capital redemption reserve *RMB'000* | Retained profits *RMB'000* | Total *RMB'000* | Minority interests *RMB'000* | Total equity *RMB'000* |
| At 1 July 2007 | 58,123 | 244,971 | 3,209 | 3,440 | 63,947 | 2,001 | 4,030 | — | — | 507,066 | 886,787 | — | 886,787 |
| Exchange difference on translation of financial statements of operations outside PRC | — | — | — | — | — | 26,611 | — | — | — | — | 26,611 | — | 26,611 |
| Surplus on revaluation of buildings held for own use, net of deferred tax | — | — | — | — | — | — | 10,397 | — | — | — | 10,397 | — | 10,397 |
| Issue of shares upon exercise of subscription rights attached to convertible bonds | 186 | 1,655 | — | — | — | — | — | — | — | — | 1,841 | — | 1,841 |
| Issue of shares under share option scheme | 371 | 4,107 | (126) | — | — | — | — | — | — | — | 4,352 | — | 4,352 |
| Purchase and cancellation of own shares | | | | | | | | | | | | | |
| — par value paid | (19) | — | — | — | — | — | — | — | — | — | (19) | — | (19) |
| — premium paid | — | (123) | — | — | — | — | — | — | — | — | (123) | — | (123) |
| — transfer between reserves | — | (19) | — | — | — | — | — | — | 19 | — | — | — | — |
| Contributions by controlling shareholder | — | — | — | — | — | — | — | 3,272 | — | — | 3,272 | — | 3,272 |
| Dividend approved in respect of the previous year | — | (10,780) | — | — | — | — | — | — | — | (7,384) | (18,164) | — | (18,164) |
| Profit for the year | — | — | — | — | — | — | — | — | — | 11,179 | 11,179 | — | 11,179 |
| Appropriations to statutory reserve | — | — | — | 10,834 | — | — | — | — | — | (10,834) | — | — | — |
| At 30 June 2008 | 58,661 | 239,811 | 3,083 | 14,274 | 63,947 | 28,612 | 14,427 | 3,272 | 19 | 500,027 | 926,133 | — | 926,133 |

# DIVIDEND

The Board recommended the payment of a final dividend of HK$0.004 cent (equivalent to approximately RMB0.003536) (2007: HK$0.035 (equivalent to approximately RMB0.03375)) per share for the year ended 30 June 2008. The final dividend, subject to shareholders' approval at the forthcoming annual general meeting to be held on 23 December 2008, will be payable to the shareholders whose names appear on the Register of Members of the Company on 23 December 2008 and will be paid on or around 16 January 2009.

# CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 17 December 2008 to 23 December 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for receiving the final dividends and attending the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, 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 16 December 2008.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Results

During the year ended 30 June 2008, turnover of the Group amounted to RMB564,317,000 (2007: RMB695,936,000), representing a decrease of 18.9% as compared to the corresponding period last year. The decrease in turnover was mainly attributable to the downturn in demand for consumer electronic products, leading to the decrease in sales of flexible printed circuit boards and provision of printed circuit boards assembly services.

During the year ended 30 June 2008, the Group's gross profit and operating profit amounted to RMB171,969,000 (2007: RMB219,044,000) and RMB117,603,000 (2007: RMB191,917,000) respectively. The decrease in overall gross profit margin was due to the increase in raw material price and product mix. The decrease in operating profit was mainly due to the increase in staff cost, exchange loss, impairment loss of trade receivable and loss on change in fair value of buildings held for own use.

The profit attributable to equity shareholders of the Company and basic earning per share were RMB11,179,000 (2007: RMB115,085,000) and RMB2 cents (2007: RMB21 cents) respectively.

Loss arising from the changes in fair value of the derivative financial instruments amounted to approximately RMB60,334,000 (2007: RMB38,959,000). Excluding such loss, net profit attributable to equity shareholders during the year ended 30 June 2008 would be RMB71,513,000 (2007: RMB154,044,000), representing a decrease of 53.6% over the same period last year.

### Business Review

The Group is principally engaged in the manufacturing and sale of rigid printed circuit boards ("rigid PCBs") and flexible printed circuit boards ("FPCBs"), as well as providing printed circuit boards assembly ("PCBA") and surface mounting technology ("SMT") processing services. Its products have a broad range of applications in items such as mobile communication devices, consumer digital devices, automotive and medical devices.

During the year ended 30 June 2008, turnover of the Group decreased 18.9% to RMB564,317,000. Turnover attributable to the rigid PCBs segment remained stable with a slight decrease of 6.0%, while revenue attributable to the FPCBs segment and the PCBA and SMT processing services segment also recorded a decline of 22.4%, 55.5% and 2.0% respectively as compared to the corresponding period in 2007. The rigid PCBs segment continued to be the Group's core business. Despite the challenging market conditions, the Group was able to maintain continuous orders from clients due to its reputation for products with high quality. Being a leading enterprise in the Electronic Manufacturing Services ("EMS") industry, and the largest producer in Fujian province for rigid PCBs, the Group enjoys a strong pricing power and hence performance of this segment was relatively unaffected. However, as the production capacity for rigid PCBs has reached full utilization, turnover contributed by the rigid PCBs business remained relatively stable.

The Group's FPCBs customers are mainly international electronics product manufacturers from countries such as USA, Korea and Japan. Due to the deteriorating global economic condition and the resulting downturn in demand for electronic products, the FPCBs business was adversely affected. In February and March 2008, the decreasing demand lowered the average selling prices of the Group's products, leading to a decrease in turnover and operating profit in the FPCBs segment for the year. However, a moderate upturn in demand was recorded towards the end of June 2008, signaling the potential start of an upward trend. In addition, the Group is working to further diversify expand the applications of its FPCB products, in order to penetrate a wider market.

During the year ended 30 June 2008, the Group strategically reduced its provision of PCBA and SMT processing services. The management believes that as PCBA and SMT processing services generate a relatively lower margin, the reallocation of capital resources can be more efficiently used for other segments, also helping to diversify risk.

**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 ended 30 June 2008, sales of rigid PCBs amounted to RMB367,599,000 (2007: RMB391,025,000), representing approximately 65.1% of the Group's total turnover. Operating profit of this business segment was RMB125,388,000 (2007: RMB159,549,000), representing a decrease of 21.4% as compared to the corresponding period last year.

*FPCBs*

Sales of FPCBs was approximately RMB116,524,000 (2007: RMB150,249,000), which accounted for approximately 20.7% of the Group's total turnover during the year ended 30 June 2008. Operating profit reached approximately RMB8,120,000 (2007: RMB30,614,000), representing a decline of 73.5% as compared to the corresponding period last year. The decline in operating profit in the FPCB sector was mainly due to the lower demand from telecommunication product manufacturers due to the deteriorating global economic climate.

*PCBA*

Turnover contributed by PCBA services during the year ended 30 June 2008 recorded approximately RMB59,481,000 (2007: RMB133,536,000), representing 10.5% of the Group's total turnover. Operating loss was approximately RMB1,542,000 (2007: operating profit RMB14,205,000).

*SMT processing services*

Sales from SMT processing services amounted to approximately RMB20,713,000 (2007: RMB21,126,000), accounting for 3.7% of the Group's total turnover. Operating loss was RMB537,000 (2007: operating profit RMB2,247,000).

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained as the largest segment, generating 78.8% (2007: 81.2%) of the Group's total turnover. About 6.6% (2007: 7.0%) and 7.1% (2007: 6.0%) were contributed by sales to Australia and Hong Kong for the year ended 30 June 2008 respectively. The balance of approximately 7.5% of the Group's turnover (2007: 5.8%) was taken up by Germany, Malaysia, USA and other countries or regions.

**Manufacturing Facilities**

*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. During the year ended 30 June 2008, the Group received continuous orders from clients. However, the Fuqing plant has reached full production capacity since 2006. The Group purchased a plot of land in 2007 covering 33 Chinese acres, or about 22,001 square meters, for expansion. The transfer of land use rights from local farmers was completed in the same year. However, as the Group would like to upgrade its production capacity prudently, and maintain its current flexible business model of production at a low volume with higher margins, it is expected that the capacity expansion will be completed in 2009.

*Shuangxiang Electronics ("Mawei Plant"), Fujian Province*

The production plant located in Mawei, Fuzhou city, Fujian province, is engaged in PCBA and SMT processing services. In September 2007, the Group moved from the previous rental site to a self-owned production plant with a total of 8 SMT productions lines. The number of production lines is expected to reach 12–14 lines within 2 to 3 years. During the year ended 30 June 2008, the management implemented various measures to streamline the production process and improve cost-control. Furthermore, with an aim to enhance overall profitability, the management has strategically reduced its capital allocation in PCBA and SMT processing services to higher margin segments.

*Gemini Electronics ("Huizhou Plant"), Guangdong Province*

The manufacturing facility in Huizhou city, Guangdong Province is engaged in the production of FPCBs. The site covers 70 Chinese acres, or approximately 46,669 square meters as of June 2008. During the year ended 30 June 2008, the FPCBs business was affected by the slowing demand for telecommunications products. In order to maintain its competitiveness in this segment, the management has implemented cost control initiatives, as well as strived to develop a more diversified range of FPCB products to sustain future growth.

## Prospect

The global economic downturn brings a great challenge to the electronics industry. Being a leading one-stop EMS provider in China, the Group is well positioned to cope with the dynamically changing market conditions. Building upon its strong foundation and core competencies of high product quality, a strong and diversified customer base and products with wide applications, the rigid PCBs segment will remain as the Group's core business.

The Group sees the FPCBs business as a segment with immense growth potential. The management is actively working to diversify the applications of FPCB products in order to penetrate a wider market to generate growth. Towards the end of June 2008, the demand for FPCBs saw a rising trend, and management believes the business momentum from this segment will partially resume for the second half of 2008. For PCBA and SMT processing services, a flexible operation model will be implemented to ensure the most efficient allocation of capital resources.

Leveraging on the Group's technical expertise and solid experience in the PCB industry, the Group is well-prepared for market variations and is endeavored to explore opportunities in maximizing returns for its shareholders.

## Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2008, the Group's working capital requirement was principally financed by its internal resources, banking facilities and derivative financial instruments.

As at 30 June 2008, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB880,366,000 (2007: RMB728,432,000), RMB542,889,000 (2007: RMB635,815,000) and RMB979,299,000 (2007: RMB1,026,745,000) respectively.

As at 30 June 2008, the Group had total bank borrowings (excluding obligations under finance leases) of RMB283,822,000 (2007: RMB283,037,000), included in these utilized bank loans, RMB253,822,000 was short term and RMB30,000,000 was long term. 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 for own use under operating lease and buildings held for own use given by subsidiaries. Besides, the Group had obligations under finance leases of RMB3,101,000 (2007: RMB6,478,000) denominated in Hong Kong dollars.

At 30 June 2008, the Company has breached one of the covenants of a bank loan with carrying amount of RMB99,022,000. Included in the amount utilised is RMB60,254,000 which, in accordance with the terms of the banking facility, was scheduled to be repaid after one year from the balance sheet date, but is classified as current liabilities in the consolidated and company balance sheets as at 30 June 2008. The directors believe that the early repayment, if required, does not materially affect the Group's liquidity position as at 30 June 2008.

For the year ended 30 June 2008, the holder of the convertible bonds of the Company (the "Convertible Bonds") exercised the subscription rights attached to the Convertible Bonds for 2,000,000 ordinary shares of the Company at the price of HK$0.9919 per share and the shares were allotted and issued.

The Group had entered into two derivative financial instruments (the "Instruments") in February and April 2007 with maturity in 2012 with a commercial bank, Deutsche Bank AG ("DG"), under which total upfront payments of approximately RMB113,490,000 were received at the inception of the Instruments. As at 30 June 2008, the loss on change in fair value of the Instruments recognised in Consolidated Income Statement was RMB60,334,000.

On 12 December 2007, Mr Lin Wan Qiang, the controlling shareholder (the "CS") of the Company, had executed a deed of indemnity (the "Deed") providing interest-free and unsecured financial assistance to the Company in respect of its interest payment obligations in connection with the Instruments. In pursuant to the Deed, the CS agreed to perform the payment obligations of the Company under the Instruments as from the date of the Deed to the extent as follows:

(i) in respect of each payment period, payment by the CS will be limited to the amount payable by the Company to DG after netting off the amount payable by DG to the Company, if any;

(ii) in case the Company receives amount from DG after netting off the amount payable by it to DG and the amount payable by DG, the Company will keep such amount received from DG; and

(iii) at the maturity date, the Company shall reimburse the CS such amount of sums paid by the CS to the Company under the Deed to the extent of the amount of the cash inflow and for the avoidance of doubt if the cash inflow exceeds the aggregate amount of sums actually paid by the CS to the Company under the Deed, the Company will only be required to reimburse the CS such amount equivalent to the sum actually paid by the CS to the Company under the Deed.

The CS agrees to indemnify the Company against all liabilities, claims, damages, costs and expenses which the Company may suffer by reason of his failure in performance of the said obligations. For the year ended 30 June 2008, aggregate payments by the CS amounted to RMB20,072,000.

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, Hong Kong dollars and United States dollars.

Total equity attributable to equity shareholders of the Company as at 30 June 2008 increased by RMB39,346,000 to RMB926,133,000 (2007: RMB886,787,000). 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 2008 was approximately 0.69 (2007: 0.68).

## Significant Investments

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group had no other significant investment held during the year ended 30 June 2008.

## Acquisition and Disposal of Subsidiaries and Associated Companies

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", during the year ended 30 June 2008, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

## Employment Information

As at 30 June 2008, the Group employed a total of 1,751 (2007: 1,917) 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 2008, the employment cost (including Directors' emoluments) amounted to approximately RMB49,636,000. 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 2008, no share option has been granted to the Directors and staffs under the 2003 Scheme and there are 12,000,000 share options outstanding under the 2003 Scheme as at 30 June 2008.

## Charges on Group Assets

As at 30 June 2008, a bank loan of US$15,000,000 (equivalent to RMB102,852,000) 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 2008 was approximately RMB822,590,000.

The Group leases certain machineries under finance leases for two to four years. At the end of the lease term, the Group has the option to purchase the machineries at a price deemed to be a bargain purchase option. None of the leases includes contingent rentals. At 30 June 2008, the net book value of machineries held under finance leases of the Group was RMB28,028,000 (2007: RMB31,697,000).

As at 30 June 2008, certain interests in leasehold land held for own use under operating lease and buildings held for own use of RMB169,907,000 (2007: RMB8,199,000) were pledged to banks for bank loans totalling RMB77,000,000 (2007: RMB42,000,000) granted to the Group.

## Future Plans for Material Investments and Expected Sources of Funding

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group had no future plans for material investments as at 30 June 2008.

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 United States 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 2008, 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 RMB35,393,000 and RMB52,978,000 respectively.

**Contingent Liabilities**

As at 30 June 2008, 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 2008, 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 are not appointed for a specific term until 1 January 2008. Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year commencing from 1 January 2008 and is subject to retirement by rotation and offers himself for re-election 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. Liu Zhao Cai, the former chairman of the Company who resigned on 28 October 2008, and Mr. Lin Wan Qaing, the chairman of the remuneration committee were unable to attend the annual general meeting of the Company held on 21 December 2007 in person, but they have already delegated one of the executive Directors to chair the meeting and answer questions at the annual general meeting on their behalf.

**Nomination of Directors**

According to recommended best practices A.4.4 of the CG Code, the listed issuers are recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the Board considers that may take up by the Board members, therefore, the Company has not established a nomination committee. The Board is responsible for selecting and recommending candidates for directorship, which based on assessment of their professional qualifications and experience and also responsible for determining the independence of each independent non-executive Director. During the year ended 30 June 2008, the Board assessed the independence of the independent non-executive Directors and selected Mr. Lin Wan Xin being the executive Director.

**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 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 annual results of the Group for the year ended 30 June 2008.

## PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

In April 2008 and May 2008, the Company repurchased a total of 200,000 shares and 4,000 shares respectively on the exchange at an average price of HK$0.75 and HK$0.74 per share respectively. The total consideration paid for the repurchases amounted to HK$152,960. Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 30 June 2008.

## CHANGE OF CHAIRMAN

The Board announces that Mr. Liu Zhao Cai ("Mr. Liu") resigned as the chairman of the Company due to personal reason, but remains as an executive Director, and Mr. Lin Wan Xin ("Mr. Lin"), an executive Director, has been appointed as the chairman of the Company in place of Mr. Liu. All of the above are with effect from 28 October 2008.

Mr. Lin, aged 54, is an executive Director. Mr. Lin is also the chairman and executive president of Fujian Fuqiang Delicate Circuit Plate Co., Ltd., a subsidiary of the Company. He graduated from Fujian Normal University (福建師範大學) and has gained extensive administration experience as the production director, administration director and vice-president of the general administration department of Fujian Normal University (福建師範大學). Mr. Lin is currently a member of the 11th and 12th Political Consultative Standing Committee of Fuqing City in Fujian Province and a council member of the Printed Circuit Industry Association respectively. He joined the Group in March 1998 and was one of the founding members. Save as disclosed above, Mr. Lin did not hold any directorship in any public listed companies in the last three years and he does not hold any position in the Group.

Mr. Lin has entered into a service agreement dated 24 October 2007 with the Company for a term of three years commencing from 24 October 2007, with a fixed term of one year, which shall be terminated if either party giving not less than six months' notice in writing to the other after the expiration of the said fixed term of one year. As at the date of this announcement, Mr. Lin is entitled to a monthly salary of HK$20,000 which is determined on the prevailing market rate and a year-end bonus to be determined by the Board with reference to the Company's performance and profitability.

As at the date of this announcement, Mr. Lin has 1,000,000 underlying shares of the Company attached to the share options granted by the Company. Save as disclosed above, Mr. Lin does not have any other interests in the shares, underlying shares and debentures of the Company within the meaning of Part XV of the SFO. Save as Mr. Lin is a cousin of Mr. Lin Wan Qaing, an executive Director, he does not have any relationship with any directors, senior management or substantial or controlling shareholders of the Company.

Save as disclosed above, there are no other matters in relation to the appointment of chairman of the Company that needs to be brought to the attention of the shareholders of the Company. There is no information relating to Mr. Lin that is required to be disclosed pursuant to Rules 13.51(2)(h)–(v) of the Listing Rules.

The Board would like to take this opportunity to thank Mr. Liu for his valuable contribution during the tenure of his chairmanship in the Company and extend a warm welcome to Mr. Lin for his appointment of the chairman of the Company. The Board also confirmed that there are no other matters in respect of the aforesaid change of chairman of the Company that needs to be brought to the attention of the shareholders of the Company.

On behalf of the Board
**Lin Wan Xin**
*Chairman*

Hong Kong, 28 October 2008

*As at the date of this announcement, the Board comprises Mr. Lin Wan Xin, Mr. Xiang Song, Mr. Lin Wan Qaing, Mr Liu Zhao Cai, Mr. Hu Zhao Rui, 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 purposes only*