



ALLTRONICS HOLDINGS LIMITED

華訊股份有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 833)

ANNOUNCEMENT OF AUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2006

FINANCIAL HIGHLIGHTS

- Turnover of the Group for the year 2006 was HK\$592 million, representing an increase of HK\$275 million or 86.9% over the year 2005;
- Profit attributable to equity holders for the year was HK\$44 million, representing an increase of HK\$17 million or 62.6% over the year 2005;
- Basic earnings per share was HK14.6 cents; and
- The Board declared a final dividend of HK3.8 cents per share for the year 2006

The board (the "Board") of directors ("Directors") of Alltronics Holdings Limited (the "Company") is pleased to announce the audited results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2006, prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants, together with comparative figures for the corresponding year in 2005. The annual results have been reviewed by the audit committee of the Company.

RESULTS

The Board is pleased to report that the Group achieved a turnover amounting to HK\$592,318,000 in the financial year ended 31 December 2006, representing an increase of 86.9% as compared with HK\$316,903,000 for the previous year. The net profit attributable to equity holders for the current year is HK\$43,785,000, which has increased by 62.6% from the previous year's net profit of HK\$26,935,000.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2006

| | Note | Year ended 31 December | |
|---|------|-------------------------------|-------------------------------|
| | | 2006 HK\$'000 (Audited) | 2005 HK\$'000 (Audited) |
| Revenue | 3 | 592,318 | 316,903 |
| Cost of sales | 4 | (461,263) | (236,236) |
| Gross profit | | 131,055 | 80,667 |
| Distribution costs | 4 | (5,820) | (4,489) |
| Administrative expenses | 4 | (63,180) | (39,702) |
| Other (losses)/gains | 5 | (1,000) | 505 |
| Operating profit | | 61,055 | 36,981 |
| Finance costs – net | 6 | (6,281) | (2,224) |
| Share of loss of an associate | | (188) | (812) |
| Profit before income tax | | 54,586 | 33,945 |
| Income tax expense | 7 | (9,439) | (7,010) |
| Profit for the year | | 45,147 | 26,935 |
| Attributable to: | | | |
| Equity holders of the Company | | 43,785 | 26,935 |
| Minority interest | | 1,362 | – |
| | | 45,147 | 26,935 |
| Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in HK cents per share) | | | |
| – basic | 8 | 14.60 | 8.98 |
| – diluted | 8 | 14.43 | 8.98 |
| Dividends | 9 | 21,000 | 15,000 |

CONSOLIDATED BALANCE SHEET

As at 31 December 2006

| | At 31 December | |
|--|-------------------------------|-------------------------------|
| | 2006 HK\$'000 (Audited) | 2005 HK\$'000 (Audited) |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 56,061 | 48,361 |
| Leasehold land and land use rights | 2,172 | 2,222 |
| Intangible asset | 11,672 | 11,672 |
| Investments in an associate | – | 188 |
| Available-for-sale financial assets | 3,238 | 2,903 |
| Prepayment for non-current assets | 4,822 | 2,388 |
| Deferred income tax assets | 53 | 331 |
| Total non-current assets | 78,018 | 68,065 |
| Current assets | | |
| Inventories | 88,237 | 74,401 |
| Trade receivables | 84,634 | 62,607 |
| Prepayments, deposits and other receivables | 23,403 | 6,987 |
| Amount due from an associate | 2 | 91 |
| Amount due from a related company | 919 | 807 |
| Amount due from ultimate holding company | 29 | 29 |
| Amount due from minority shareholders of a subsidiary | 1,640 | 1,340 |
| Other financial assets at fair value through profit or loss | 10,458 | 9,627 |
| Pledged bank deposits | 2,432 | 4,933 |
| Cash and cash equivalents | 55,511 | 91,052 |
| Total current assets | 267,265 | 251,874 |
| Total assets | 345,283 | 319,939 |
| EQUITY | | |
| Capital and reserves attributable to the Company's equity holders | | |
| Share capital | 3,000 | 3,000 |
| Reserves | | |
| Proposed final dividends | 11,400 | 4,500 |
| Others | 149,444 | 124,314 |
| | 163,844 | 131,814 |
| Minority interest | 4,840 | 3,258 |
| Total equity | 168,684 | 135,072 |

LIABILITIES

Non-current liabilities

| | At 31 December 2006 HK\$'000 (Audited) | 2005 HK\$'000 (Audited) |
|--------------------------------------|---|-------------------------------|
| Borrowings | 15,695 | 10,704 |
| Deferred income tax liabilities | 1,522 | 1,573 |
| Total non-current liabilities | 17,217 | 12,277 |

Current liabilities

| | | |
|----------------------------------|----------------|----------------|
| Trade payables | 56,474 | 44,501 |
| Accruals and other payables | 18,153 | 15,034 |
| Amount due to an associate | – | 650 |
| Current income tax liabilities | 22,912 | 17,552 |
| Borrowings | 61,843 | 94,853 |
| Total current liabilities | 159,382 | 172,590 |

Total liabilities

Total equity and liabilities

| | | |
|--|----------------|----------------|
| Total liabilities | 176,599 | 184,867 |
| Total equity and liabilities | 345,283 | 319,939 |
| Net current assets | 107,883 | 79,284 |
| Total assets less current liabilities | 185,901 | 147,349 |

NOTES TO THE FINANCIAL STATEMENTS

1 General information

The Company was incorporated in the Cayman Islands on 24 July 2003 as an exempted company with limited liability under the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 July 2005. Pursuant to a group reorganisation (the "Reorganisation") to rationalise the structure of the Company and its subsidiaries (together the "Group") in preparation for the listing of the Company's shares on the Stock Exchange, the Company became the holding company of the companies now comprising the Group on 17 June 2005. Following the completion of the public offering and placing of 90,000,000 shares of the Company as set out in the prospectus dated 30 June 2005 issued by the Company, the Company's shares were listed on the Main Board of the Stock Exchange on 15 July 2005 (the "Listing").

The Company is an investment holding company. The principal activities of the Group are the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products.

The principal place of business of the Company is at Room 1108, 11/F, Eastwood Centre, No. 5 A Kung Ngam Village Road, Shau Kei Wan, Hong Kong.

These consolidated financial statements have been approved for issue by the Board of Directors on 25 April 2007.

2 Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies.

(a) Amendments to published standards effective and new/revised standards and interpretations which are relevant to the Group's operations and are mandatory in 2006:

| | |
|---------------------------------|--|
| HKAS 19 (Amendment) | Actuarial Gains and Losses, Group Plans and Disclosures |
| HKAS 21 (Amendment) | Net Investment in a Foreign Operation |
| HKAS 39 (Amendment) | The Fair Value Option |
| HKAS 39 (Amendment) | Cash Flow Hedge Accounting of Forecast Intragroup Transactions |
| HKAS 39 and HKFRS 4 (Amendment) | Financial Instruments: Recognition and Measurement and Insurance Contracts |
| HK(IFRIC) – Int 4 | Determining Whether an Arrangement Contains a Lease |

The adoption of new/revised HKAS 19 (Amendment), 21 (Amendment), 39 (Amendment), HKFRS 4 (Amendment) and HK(IFRIC) – Int 4 did not result in substantial changes to the accounting policies of the Group.

(b) New standards, amendments and interpretations relevant to the Group's operations that have been issued but are not yet effective for 2006 and have not been early adopted by the Group:

| | |
|--------------------|--|
| HKAS 1 (Amendment) | Presentation of Financial Statement – Capital Disclosures |
| HKFRS 7 | Financial Instruments: Disclosures |
| HKFRS 8 | Operating Segments |
| HK(IFRIC) – Int 7 | Applying the Restatement Approach under HKAS 29 Financial Reporting in Hyperinflationary Economies |
| HK(IFRIC) – Int 8 | Scope of HKFRS 2 |
| HK(IFRIC) – Int 9 | Reassessment of Embedded Derivatives |
| HK(IFRIC) – Int 10 | Interim Financial Reporting and Impairment |
| HK(IFRIC) – Int 11 | HKFRS 2 – Group and Treasury Share Transactions |

The Group has already commenced an assessment of the impact of these new standards, amendments and interpretations but is not in a position to state whether they will result in substantial changes to the accounting policies of the Group.

3 Revenue and segment information

The Group is principally engaged in the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products.

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Turnover | | |
| Sale of goods | 592,318 | 316,903 |
| Other income | | |
| Interest income on other financial assets at fair value through profit or loss | 1,318 | 473 |
| Dividends from other financial assets at fair value through profit or loss | 14 | 60 |
| | 593,650 | 317,436 |

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

(a) Primary reporting format – business segment

During the year, the Group has been operating in one single business segment, namely the manufacturing and trading of electronic products, plastic moulds, plastic and other components for electronic products.

(b) Secondary reporting format – geographical segment

The Group's business segment operates in five main geographical areas, even though they are managed on a worldwide basis.

The Group's revenue arises mainly in places/countries within Hong Kong, the United States, Europe and PRC. Revenue is allocated based on the places/countries in which the customers are located.

Revenue

| | 2006 HK\$'000 | 2005 HK\$'000 |
|-------------------|------------------|------------------|
| The United States | 406,798 | 218,541 |
| Europe | 39,245 | 29,532 |
| PRC | 25,297 | 83 |
| Hong Kong | 93,305 | 49,178 |
| Other countries | 27,673 | 19,569 |
| | <u>592,318</u> | <u>316,903</u> |

Capital expenditure is allocated based on where the assets are located.

Capital expenditure

| | 2006 HK\$'000 | 2005 HK\$'000 |
|-----------|------------------|------------------|
| PRC | 18,977 | 15,876 |
| Hong Kong | 2,780 | 452 |
| | <u>21,757</u> | <u>16,328</u> |

Total assets are allocated based on where the assets are located.

Total assets

| | 2006 HK\$'000 | 2005 HK\$'000 |
|-----------|------------------|------------------|
| PRC | 151,347 | 130,542 |
| Hong Kong | 193,936 | 189,397 |
| | <u>345,283</u> | <u>319,939</u> |

4 Expenses by nature

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Cost of inventories sold | 326,732 | 184,442 |
| Provision/(Reversal of provision) for impairment of inventories | 622 | (479) |
| Employee benefit expense – excluding Directors' emoluments | 83,977 | 43,077 |
| Employee benefit expense – Directors' emoluments | 9,083 | 5,832 |
| Depreciation | | |
| – Owned fixed assets | 11,841 | 6,845 |
| – Leased fixed assets | 2,498 | 357 |
| Provision for impairment on receivables | 5,531 | – |
| Bad debts written-off | 1,370 | – |
| Amortisation of prepaid operating lease payments | 50 | 50 |
| Operating lease payments | 8,933 | 4,526 |
| Auditors' remuneration | 1,152 | 862 |
| Other expenses | 78,474 | 34,915 |
| Total cost of sales, distribution costs, and administrative expenses | <u>530,263</u> | <u>280,427</u> |

5 Other (losses)/gains

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Gain on disposals of other financial assets at fair value through profit or loss | 660 | 1,993 |
| Other financial assets at fair value through profit or loss – fair value gain/(loss) | 458 | (155) |
| Interest income on other financial assets at fair value through profit or loss | 1,318 | 473 |
| Dividends from other financial assets at fair value through profit or loss | 14 | 60 |
| Net foreign exchange loss | (3,118) | (1,218) |
| Loss on disposal of property, plant and equipment | (25) | (1,301) |
| Other (losses)/gains | (307) | 653 |
| | <u>(1,000)</u> | <u>505</u> |

The interest and dividend income from other financial assets at fair value through profit or loss for the year ended 31 December 2006 and 31 December 2005 are derived from listed investments.

6 Finance costs – net

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|------------------|------------------|
| Interests on bank loans and bank overdrafts | 9,137 | 3,279 |
| Interest element of finance leases | 367 | 36 |
| Total finance costs | 9,504 | 3,315 |
| Less: Interest income from bank deposits | (3,223) | (1,091) |
| Finance costs – net | <u>6,281</u> | <u>2,224</u> |

7 Income tax expense

Hong Kong profits tax has been provided at the rate of 17.5% (2005: 17.5%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--------------------------------------|------------------|------------------|
| Current income tax | | |
| – Hong Kong profits tax | 7,132 | 6,366 |
| – PRC enterprise income tax (Note a) | 2,052 | 828 |
| Under-provision in prior years | 28 | – |
| Deferred income tax | 227 | (184) |
| | <u>9,439</u> | <u>7,010</u> |

Note:

(a) PRC enterprise income tax has been calculated on the estimated assessable profits at the rates of taxation prevailing in the PRC. The Company has three subsidiaries operating in the PRC, namely Shenzhen Allcomm Electronic Co. Ltd. ("Shenzhen Allcomm"), Alltronics Tech. Mfg. Limited ("ATM") and 南盈塑膠實業(深圳)有限公司 ("南盈"). During the year, Shenzhen Allcomm, ATM and 南盈 are subject to a standard income tax rate of 15% in accordance with the relevant applicable tax laws. 南盈 is entitled to full exemption of PRC income tax for the two years ended 31 December 2005, followed by a 50% reduction of PRC income tax (i.e. 7.5%) for the three years ending 31 December 2008.

8 Earnings per share

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the number of ordinary shares in issue during the year.

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Profit attributable to equity holders of the Company | 43,785 | 26,935 |
| Number of ordinary shares in issue (thousand) | 300,000 | 300,000 |
| Basic earnings per share (HK cents per share) | <u>14.60</u> | <u>8.98</u> |

(b) Diluted

Diluted earnings per share is calculated by adjusting the number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company has only one category of dilutive potential ordinary shares: share options. A calculation is made in order to determine the number of shares that could have been acquired at fair value (determined as the average annual market share price of the Company's shares) based on the monetary value of the subscription rights attached to outstanding share options. The number of shares calculated as above is compared with the number of shares that would have been issued assuming the exercise of the share options.

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Profit attributable to equity holders of the Company | 43,785 | 26,935 |
| Number of ordinary shares in issue (thousand) | 300,000 | 300,000 |
| Adjustments for share options (thousand) | 3,514 | – |
| Weighted average number of ordinary shares for diluted earnings per share (thousand) | 303,514 | 300,000 |
| Diluted earnings per share (HK cents per share) | <u>14.43</u> | <u>8.98</u> |

9 Dividends

| | 2006 HK\$'000 | 2005 HK\$'000 |
|---|------------------|------------------|
| Interim dividend paid of HK3.2 cents (2005: HK2 cents) per ordinary share | 9,600 | 6,000 |
| Special interim dividend paid of HK5nil (2005: HK1.5 cents) per ordinary share (Note a) | – | 4,500 |
| Proposed final dividend of HK3.8 cents (2005: HK1.5 cents) per ordinary share (Note b) | 11,400 | 4,500 |
| | <u>21,000</u> | <u>15,000</u> |

Notes:

(a) In recognition of the continued support from the shareholders and the successful listing of the Company's share on the Main Board of the Stock Exchange on 15 July 2005, the Board declared and paid a special interim dividend of HK1.5 cents per ordinary share for the year ended 31 December 2005.

(b) A final dividend in respect of 2006 of HK3.8 cents per share, amounting to a total of HK\$11,400,000, is to be proposed at the 2007 Annual General Meeting on 23 May 2007. These financial statements do not reflect this dividend payable but account for as the proposed dividends in reserves.

10 Events after the balance sheet date

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the People's Republic of China (the new "CIT Law"). The new CIT Law changes the corporate income tax rate to 25% with effect from 1 January 2008. The new CIT Law also provides for preferential tax rates, tax incentives for prescribed industries and activities, grandfathering provisions as well as determination of taxable profit. As at the date that these financial statements are approved for issue, detailed measures concerning these items have yet to be issued by the State Council. Consequently, the Group is not in a position to assess the impact, if any, on the carrying value of deferred tax assets and liabilities as at 31 December 2006. The Group will continue to evaluate the impact as more detailed regulations are announced.

11 Ultimate holding company

The Group is controlled by Profit International Holdings Limited (incorporated in the British Virgin Islands), which owns 70% of the Company's shares. In the opinion of the Directors, Profit International Holdings Limited is the ultimate holding company of the Company. The remaining 30% of the shares are widely held.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Turnover

During the year ended 31 December 2006, the turnover of the Group has increased significantly by 86.9% to HK\$592 million, as compared to HK\$317 million for the year 2005. The table below shows the turnover analysis by electronic products, components for electronic products and plastic moulds and plastic components for the two years ended 31 December 2006 and 2005 respectively:

| | 2006 HK\$'000 | 2005 HK\$'000 |
|--|------------------|------------------|
| Sales of electronic products | 465,921 | 267,880 |
| Sales of components for electronic products | 75,265 | 49,023 |
| Sales of plastic moulds and plastic components | 51,132 | – |
| | <u>592,318</u> | <u>316,903</u> |

The turnover for electronic products has increased by HK\$198 million to HK\$466 million whereas the turnover for components for electronic products has increased by HK\$26 million to HK\$75 million. The increases were mainly due to the continued strong growth in demand from customers and the expansion of the customer base. The year 2006 is the first year whereby the results of the Group's 51% owned subsidiary, Southchina Engineering and Manufacturing Limited ("Southchina"), were reflected in the consolidated financial statements as a subsidiary. Southchina is principally engaged in the manufacture of plastic moulds and plastic components. Total sales of plastic moulds and plastic components during the year amounted to HK\$51 million.

During the year 2006, the sales of the Group's single major product, irrigation controllers, regained its growth momentum due to the launch of new models and continued increase in demand from the key customer. Sales of irrigation controllers have increased from HK\$127 million to HK\$245 million. Sales of carbon monoxide detectors and audio equipment have also increased significantly during the year by 58.0% and 53.9% to HK\$32 million and HK\$32 million respectively. Management expects that the demand for these products will remain strong in the year ahead.

The increase in turnover for the Group's components for electronic products was mainly due to the continued expansion in the customer base as well as the increase in business volume with individual customers. The relocation of the factory to new premises with larger facilities in November 2005 has enabled the Group to expand its production capacity for components for electronic products to cope with increasing demand.

The acquisition of Southchina as a 51% owned subsidiary in December 2005 has enabled the Group to broaden its sales and customer base. The acquisition has also ensured that the Group has a reliable supply of quality plastic moulds and plastic components for its electronic products.

Gross profit

Despite the growth in turnover, the gross profit margin decreased by approximately 3% during the year 2006. The drop was mainly due to the inclusion of Southchina's results in the consolidated financial statements as a subsidiary, as the mould and plastic business has a lower profit margin than other traditional products of the Group. In addition, the increase in general wage level in PRC together with the continuing appreciation in the value of the Renminbi during the year, also resulted in an increase in the overall labour and material costs and overheads.

Operating Expenses

During the year ended 31 December 2006, distribution costs were approximately at 1.0% of turnover. This is comparable to 1.4% in the year ended 31 December 2005. The surge of turnover has resulted in an increase in the utilisation of trade facilities granted by our bankers. Together with the general increases in interest rates during the year, total finance costs have increased by HK\$6 million. On the other hand, bank interest income for the year has also increased by HK\$2 million, as a result of the increase in average bank deposit balances and increases in interest rates during the year. The total finance costs and interest income of Southchina for the year amounted to HK\$3 million and HK\$136,000 respectively.

Administrative expenses for the year 2006 have increased by 59.1% or HK\$23 million. The increase was due to a number of reasons, including the increase in staff costs as a result of the annual salary review in January 2006; the provision for impairment on trade receivables of HK\$6 million and other bad debts written off of HK\$1 million. The administrative expenses of Southchina alone for the year amounted to HK\$10 million, which were included in the consolidated income statement.

Net Profit

The net profit margin for the year has dropped from the 8.5% achieved for the year 2005, to 7.6% for the year 2006. The reduction in net profit margin was due to the decrease in average gross profit margin and the increase in administrative expenses, as explained above.

PRODUCTION FACILITIES

During the year 2005, the Group leased additional factory premises for the production of electronic products and also relocated its factory for production of components for electronic products to new premises with an enlarged production capacity to cater for future growth. During the year 2006, the Group spent HK\$9 million to acquire new plant and machinery and HK\$5 million on leasehold improvements to expand the production capacity to cope with increasing demand from customers.

LIQUIDITY AND FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The financial position of the Group remains strong and healthy. At 31 December 2006, total cash and cash equivalents, net of current bank overdrafts, amounted to HK\$45 million. The net funds are available to finance the Group's working capital and capital expenditure plans.

At 31 December 2006, the total borrowings of the Group amounted to HK\$78 million, comprising bank overdrafts of HK\$11 million, bank loans of HK\$31 million, bills payable of HK\$30 million and obligations under finance leases of HK\$6 million, all of which are denominated in Hong Kong dollars. The average effective interest rates for these borrowings at 31 December 2006 ranged from 7.1% to 8.6%.

The Group's trade receivable turnover, inventory turnover and trade payable turnover were 52 days, 70 days and 61 days respectively for the year 2006. The turnover periods are consistent with the respective policies of the Group on credit terms granted to customers and obtained from suppliers.

At 31 December 2006, the Company had in issue a total of 300,000,000 ordinary shares of HK\$0.01 each.

CASH FLOWS

Total balance of cash and cash equivalents at 31 December 2006 was HK\$45 million, which decreased by HK\$10 million compared to the balance at 31 December 2005.

Given continued strong sales growth in 2006, there was a net cash inflow from operating activities of HK\$10 million. The net cash outflow from investing activities in 2006 amounting to HK\$14 million, which was mainly due to the HK\$16 million spent on the addition of property, plant and equipment.

There was a net cash outflow of HK\$6 million from financing activities in 2006. This was mainly the net effect of payment of dividends of HK\$14 million; repayment of borrowings of HK\$45 million and new bank loans of HK\$54 million obtained.

PLEDGE OF ASSETS

At 31 December 2006, the Group had total bank borrowings of HK\$72 million, out of which HK\$33 million were secured by short-term bank deposits of HK\$2 million and available-for-sale financial assets of HK\$3 million.

GEARING RATIO

At 31 December 2006, total borrowings, excluding trade related debts, were HK\$47 million and the shareholders' equity was HK\$164 million. The gearing ratio of the Group, calculated as total borrowings mentioned above over shareholders' equity, was therefore 28.7%, which improved significantly from the 46.7% recorded at 31 December 2005.

CONTINGENT LIABILITIES

At both 31 December 2005 and 31 December 2006, the Group did not have any material contingent liabilities.

EMPLOYEES

At 31 December 2006, the Group had 3,214 employees, of which 78 are employed in Hong Kong and 3,136 are employed in the PRC. Salaries of employees are maintained at competitive levels. The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme for all its employees in Hong Kong, and provides its PRC employees with welfare schemes as required by the applicable laws and regulation in the PRC. The Group also offers discretionary bonuses to its employees by reference to the performance of individual employees and the overall performance of the Group. Total staff costs, excluding Directors' emoluments, incurred by the Group for 2006 amounted to HK\$84 million.

The Company has also adopted a share option scheme on 22 June 2005. During the year, a total of 13,500,000 share options were granted to three executive Directors and other staff of the Company. These share options do not have any vesting period and are exercisable within a period of two years to 26 September 2008 at an exercise price of HK\$1.11 per share.

The Group did not experience any significant labour disputes or substantial changes in the number of its employees that led to any disruption of its normal business operations. The Board believes that the Group's management and employees are the most valuable asset of the Group and have contributed to the success of the Group.

FOREIGN EXCHANGE EXPOSURE

Most of the Group's sales are denominated in United States dollars and Hong Kong dollars and most of the purchases of raw materials are denominated in United States dollars, Hong Kong dollars and Renminbi. Furthermore, as most of the Group's monetary assets are denominated in Hong Kong dollars, United States dollars and Renminbi, the exchange rate risk of the Group for the time being is considered to be minimal.

In view of the current financial position and diverse operations of the Group, the management considered that it was not necessary for the Group to have any kind of sophisticated financial instruments for hedging purposes or to adopt any formal hedging policy.

OUTLOOK

The Group's primary objective is to become a leading and internationally recognised manufacturer and "total solution provider" of its electronic products and electronic product components. The Group has been focusing on developing new designs to meet customers' needs and continuously expanding its service to its increasing range of international customers.

The Group will pursue a more cost effective operational structure and will continue to tighten its controls over production costs and overheads so as to maximize gross profit margins. In terms of product range, the Group will focus some of its resources in the development of medical health care products; environmental protection products and energy savings products. The Group believes that there will be a consistently future high demand for these products.

In terms of markets, the United States continue to be the major market for the Group's products, and accounted for 69% of the Group's total turnover for the years 2005 and 2006. However, the Group will continue to devote significant effort to explore other markets in Europe, Japan and other Asian countries, so that the turnover by geographic locations can be spread more evenly in future periods.

Management still foresees there are tremendous opportunities in the year 2007 and has strong confidence in maintaining future growth momentum. The Group is very clear about its responsibility towards shareholders and their expectations. Although there are challenges ahead in terms of competition and rising production costs, management is confident that it will meet these challenges because it has a well distributed worldwide customer base; consistently high quality products; and timely delivery, strong engineering and development support to its customers with an experienced and dedicated management team and its highly skilled and efficient workforce.

DIVIDENDS

In appreciation of the support from our shareholders, the Board proposes the payment of a final dividend of HK3.2 cents per share. Together with the interim dividend of HK3.2 cents per share paid in November 2006, the total dividends paid for the year 2006 will be HK7.0 cents per share, representing a dividend payout of 48.0% of the profit attributable to equity holders for the year 2006. All dividends are paid in cash from funds generated from the Group's operations. The Group has sufficient funds to meet its future expansion after the payment of the dividends.

The proposed final dividend of HK3.8 cents per share will be payable to shareholders whose names appear on the register of members of the Company on Wednesday, 23 May 2007. The Register of Members will be closed from Friday, 18 May 2007 to Wednesday, 23 May 2007, both days inclusive, and the proposed final dividend will be paid on or about Wednesday, 6 June 2007. The payment of dividend shall be subject to the approval of the shareholders at the forthcoming Annual General Meeting.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 18 May 2007 to Wednesday, 23 May 2007, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and be eligible to attend the 2007 Annual General Meeting, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tengis Limited, at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 17 May 2007.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the current year.

CORPORATE GOVERNANCE

The Company and its Directors confirm, to the best of their knowledge, that the Company has complied with the applicable code provisions of the Code on Corporate Governance Practices as contained in Appendix 14 to the Listing Rules (the "Corporate Governance Code"), except for the deviation as mentioned below.

Code Provision A.2.1 stipulates that the role of Chairman and Chief Executive should be separated and ought not be performed by the same individual. The Company does not have a separate Chairman and Chief Executive and Mr. Lam Yin Kee currently holds both positions. The Board believes that vesting the roles of both Chairman and Chief Executive in the same person provides the Group with strong and consistent leadership and allows for more effective planning and execution of long term business strategies.

MODEL CODE OF SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its code for dealing in securities of the Company by the Directors (the "Code"). Having made specific enquiry of all Directors of the Company, all the Directors of the Company confirmed that they had complied with the required standard as set out in the Code for the year ended 31 December 2006.

AUDIT COMMITTEE

The Company established an audit committee (the "Audit Committee") pursuant to a resolution of the Board passed on 22 June 2005 with written terms of reference in compliance with the Corporate Governance Code. The primary duty of the Audit Committee is to review the financial reporting process of the Group. The Audit Committee comprises the three independent non-executive Directors of the Company, namely Mr. Barry John Buttifant, Mr. Leung Kam Wah and Ms. Yeung Chi Ying. Mr. Barry John Buttifant is the Chairman of the Audit Committee.

The audited consolidated financial statements of the Company for the year ended 31 December 2006 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Company established a remuneration committee (the "Remuneration Committee") pursuant to a resolution of the Board passed on 22 June 2005 with written terms of reference in compliance with the Corporate Governance Code. The primary duty of the Remuneration Committee is to make recommendations to the Board on the Company's policy and structure for remuneration of Directors and senior executives of the Group. In addition, it has the responsibility for reviewing and making appropriate recommendations to the Board on compensation payable to executive Directors and senior executives in connection with any loss or termination of their office, or relating to dismissal or removal of Directors for misconduct.

The Remuneration Committee comprises the three independent non-executive Directors and two executive Directors of the Company, namely Mr. Lam Yin Kee, Ms. Yeung Po Wah, Mr. Barry John Buttifant, Mr. Leung Kam Wah and Ms. Yeung Chi Ying. Mr. Lam Yin Kee is the Chairman of the Committee.

ANNUAL GENERAL MEETING

The 2007 Annual General Meeting ("AGM") will be held at the Gloucester Room I, 3/F, The Excelsior, 281 Gloucester Road, Causeway Bay, Hong Kong on 23 May 2007 at 3:00 p.m.. The notice of the AGM will be published in Hong Kong Standard and Sing Tao Daily and will be dispatched to shareholders on or about 30 April 2007.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

The electronic version of this announcement will be published on the website of the Stock Exchange (<http://www.hkex.com.hk>). The annual report for the year ended 31 December 2006 containing the information required by Appendix 16 to the Listing Rules will be dispatched to shareholders and published on the website of the Stock Exchange in due course.

By order of the Board
Lam Yin Kee
Chairman

Hong Kong, 25 April 2007

At the date of this announcement, the Board of the Company comprises:

Executive Directors

Mr. Lam Yin Kee, Ms. Yeung Po Wah and Mr. Toshio Daikai

Non-executive Director

Mr. Fan, William Chung Yue

Independent non-executive Directors

Mr. Barry John Buttifant, Mr. Leung Kam Wah and Ms. Yeung Chi Ying

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2006 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.