

Directors' Report

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 30 June 2006.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. Its subsidiaries are principally engaged in the provision of electronic manufacturing services and the manufacturing and trading of printed circuit boards.

An analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 11 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

The information in respect of the Group's sales and purchases attributable to the major customers and suppliers respectively during the financial year is as follows:

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	18%	
Five largest customers in aggregate	52%	
The largest supplier		20%
Five largest suppliers in aggregate		57%

At no time during the year have the Directors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) had any interest in these major customers and suppliers.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 30 June 2006 and the state of the Company's and the Group's affair as at that date are set out in the financial statements on pages 31 to 91.

DIVIDENDS

The Board recommended the payment of a final dividend of HK\$0.035 (equivalent to approximately RMB0.03605) (2005: HK\$0.035 (equivalent to approximately RMB0.0371)) per share for the year ended 30 June 2006, subject to shareholders' approval at the forthcoming annual general meeting to be held on 22 December 2006, will be payable to the shareholders whose names appear on the Register of Members of the Company on 22 December 2006 and will be paid on or around 18 January 2007. No interim dividend was declared for the six months ended 31 December 2005 (2004: Nil).

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SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 24 to the financial statements.

There were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries during the year.

TRANSFER OF RESERVES

Profits attributable to equity shareholders, before dividends, of RMB101,816,000 (2005: RMB80,427,000) have been transferred to reserves.

DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group and the Company during the year are set out in note 24 to the financial statements.

As at 30 June 2006, the distributable reserves of the Company available for distribution to shareholders amounted to approximately RMB174,388,000 (2005: RMB216,248,000) computing in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's Articles of Association. This includes the Company's share premium, contributed surplus, share-based compensation reserves and convertible bonds reserve of approximately RMB159,175,000 (2005: RMB159,175,000), RMB29,283,000 (2005: RMB46,305,000), RMB144,000 (2005: RMB1,453,000) and Nil (2005: RMB11,743,000) respectively, less accumulated losses of approximately RMB14,214,000 (2005: RMB2,428,000), which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business of the Company.

SUBSIDIARIES

Particulars of the Company's subsidiaries as at 30 June 2006 are set out in note 14 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year are set out in note 12 to the financial statements.

BANKING FACILITIES

Particulars of the banking facilities of the Company as at 30 June 2006 are set out in note 20 to the financial statements.

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CHARITABLE DONATIONS

Charitable donations made by the Group during the year amounted to RMB96,900 (2005: RMB209,440).

CONVERTIBLE BONDS

Details of the convertible bonds are set out in note 23 to the financial statements.

COMMITMENTS

Particulars of the commitments of the Group as at 30 June 2006 are set out in note 28 to the financial statements.

SHARE OPTION SCHEME

At the extraordinary general meeting of the Company held on 9 January 2003, an ordinary resolution was passed to adopt a share option scheme (the "2003 Scheme").

Summary of the 2003 Scheme

(a) *Purpose of the 2003 Scheme*

The purpose of the 2003 Scheme is to provide incentives and rewards to Eligible Participants (as defined hereinafter) who contribute to the success of the Group.

(b) *Participants of the 2003 Scheme*

Pursuant to the 2003 Scheme, the Board may offer eligible participants (being employees (whether full time or part time) or executives or officers of the Company or any of its subsidiaries (including executive and non-executive directors of the Company or any of its subsidiaries) and business consultants, agents, legal or financial advisers who the Board considers, in its sole discretion, will contribute or have contributed to the Company or any of its subsidiaries) ("Eligible Participants") options to subscribe for such number of shares in the Company.

(c) *Total number of shares available for issue under the 2003 Scheme*

The total number of shares which may be issued upon exercise of all options to be granted under the 2003 Scheme will be 40,262,500 shares, representing 10% of the shares in issue as at the adoption date. On 23 December 2005, an ordinary resolution was passed at the annual general meeting to refresh the number of shares available for issue up to 10% of the shares in issue as at the resolution date, representing 46,762,500 shares. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2003 Scheme must not in aggregate exceed 30% of the relevant shares of the Company in issue from time to time.

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As at 30 June 2006, a total of 51,000,000 options have been granted since the adoption of the 2003 Scheme. With a total of 8,000,000 options exercised, 36,000,000 options lapsed, 3,000,000 options cancelled, and 4,000,000 options remained outstanding, representing approximately 0.86% of the total issued number of shares of the Company as at 30 June 2006.

(d) *Maximum entitlement of each participant*

The maximum number of shares in respect of which options may be granted to any individual in any 12-month period is not permitted to exceed 1% of the shares of the Company in issue at any point of time. Any further grant of options in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meeting.

(e) *Option period*

Option may be exercised after it has vested at any time during the year to be notified by the Board at the time of the grant of the option but shall end in any event not later than 10 years from the offer date, subject to the provisions for early termination of the 2003 Scheme.

(f) *Payment on acceptance of option*

Options granted must be taken up within 21 days from the offer date, upon payment of HK\$1.00 per grant.

(g) *Basis of determining the subscription price*

The subscription price per share under the 2003 Scheme is determined by the Board, save that such price must not be less than the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheet on the date of offer to grant option, which must be a business day; (b) the average of the closing prices of the shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of offer to grant option; and (c) the nominal value of the share of the Company.

(h) *Remaining life of the 2003 Scheme*

The 2003 Scheme will remain valid until 8 January 2013.

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Share options

The following table discloses movements in the Company's share options of the 2003 Scheme during the year:

Name or category of participant	Date of grant	Number of share options					Exercisable period	Exercise price per share HK\$	Market value per share at date of grant of options HK\$
		Outstanding as at 1 July 2005	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 30 June 2006			
(a) Directors									
Lin Wan Qiang	17 December 2004	4,000,000	—	—	(4,000,000)	—	17 December 2004 to 17 December 2005	0.89	0.88
Chen Yan Shun	17 December 2004	2,500,000	—	—	(2,500,000)	—	17 December 2004 to 17 December 2005	0.89	0.88
Liu Zhao Cai	17 December 2004	2,500,000	—	—	(2,500,000)	—	17 December 2004 to 17 December 2005	0.89	0.88
Tong Yiu On	17 December 2004	2,500,000	—	—	(2,500,000)	—	17 December 2004 to 17 December 2005	0.89	0.88
Xiang Song	17 December 2004	2,500,000	—	—	(2,500,000)	—	17 December 2004 to 17 December 2005	0.89	0.88
(b) Eligible employees	17 December 2004	14,000,000	—	—	(14,000,000)	—	17 December 2004 to 17 December 2005	0.89	0.88
(c) Consultants	27 April 2005	4,000,000	—	—	—	4,000,000	27 April 2005 to 27 April 2008	1.172	0.86
Total		32,000,000	—	—	(28,000,000)	4,000,000			

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 1(p)(iii) and 26 to the financial statements.

Apart from the foregoing, at no time during the year was the Company, any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

RETIREMENT BENEFITS SCHEMES

Details of the Group's retirement benefits schemes for the year ended 30 June 2006 are set out in note 25 to the financial statements.

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CONNECTED TRANSACTIONS

On 1 February 1999, the Group entered into a lease agreement with Ms. He Yu Zhu, the spouse of Mr. Lin Wan Qaing, pursuant to which the Group agreed to pay a monthly rental of RMB35,200 in respect of the Group's occupation of 15 level, Zhong Mei Building, No. 107 Gu Tian Road, Fuzhou City, Fujian Province, PRC for a term of five years commencing on 1 February 1999 and the lease agreement has been extended to 30 January 2009 with a revised monthly rental of RMB28,575. In the opinion of the independent non-executive Directors of the Company, the rental is based on normal commercial terms and is conducted in the ordinary and usual course of business of the Group. This transaction constitutes a de minimus on-going connected transaction in accordance with Rule 14.24(5) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

Executive Directors

Mr. Lin Wan Qaing (*Chairman*)
Mr. Chen Yan Shun (*Vice-chairman*) (resigned on 1 April 2006)
Mr. Liu Zhao Cai (*Vice-chairman*)
Mr. Xiang Song (*Chief Executive Officer*)
Mr. Tong Yiu On

Independent Non-executive Directors

Mr. Pan Chang Chi
Mr. Cai Xun Shan
Mr. Cheung Chuen

In accordance with clauses 87(1) and 87(2) of the Company's articles of association, Mr. Lin Wan Qaing, Mr. Tong Yiu On and Mr. Cai Xun Shan will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting.

DIRECTORS' SERVICE AGREEMENTS

Each of the executive Directors listed below has entered into a service agreement with the Company for a term of three years, with a fixed term of one year, except for service agreement of Mr. Chen Yan Shun, the term of which is one year. The commencement dates of the agreements with each of the executive Directors are as follows:

Mr. Lin Wan Qaing	8 May 2004
Mr. Chen Yan Shun	17 September 2005
Mr. Liu Zhao Cai	22 April 2006
Mr. Xiang Song	8 May 2004
Mr. Tong Yiu On	18 December 2002

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Except Mr. Chen Yan Shun and Mr. Tong Yiu On, supplementary agreements had been entered into between each of executive Directors and the Company, which will be terminated by either party giving the other not less than six months prior written notice after the expiration of the said fixed term. The service agreement of Mr. Tong Yiu On shall continue after expiry date unless and until terminated by either party giving the other not less than six months prior written notice after the expiration of the said fixed term. Termination of service agreement with Mr. Chen Yan Shun was effective on 1 April 2006.

Each of Independent Non-executive Directors of the Company has not entered into a service agreement with the Company and is not appointed for a specific term but is subject to retirement by rotation and re-election at the annual general meeting in accordance with the articles of association of the Company.

Save as disclosed above, none of the Directors of the Company has a service agreement with the Company or any of its subsidiaries, which is not determinable by the Group within one year without payment of compensation other than statutory compensation.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2006, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for the Securities Transactions by Directors of Listed Companies (the "Model Code") were as follows:

Long positions in the shares of the Company

<u>Name</u>	<u>Capacity</u>	<u>Type of interests</u>	<u>Number of shares held</u>	<u>Approximate % of the issued share capital</u>
Lin Wan Qaing	Beneficial owner	Personal	282,739,780	60.46

Save as disclosed above, as at 30 June 2006, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2006, according to the register of members kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity (other than the Directors or chief executives of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name	Capacity	Number of shares	Approximate % of the issued share capital
FMR Corporation	Investment manager	23,448,000	5.01

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2006.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Other than as disclosed under the sections "Share option scheme", "Share options" and "Directors' interests and short positions in shares, underlying shares and debentures" above, at no time during the year was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executives of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 30 to the financial statements, there was no contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

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DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors or the management shareholders or the substantial shareholders of the Company, or any of their respective associates (as defined in the Listing Rules) had any material interest in a business that competes or may compete with the business of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of its independent non-executive Directors written confirmation of their independent pursuant to Rule 3.13 of the Listing Rules. Based upon the said confirmations, the Company considers that Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen are independent.

MANAGEMENT CONTRACT

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on page 92 of the annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30 June 2006, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

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

AUDIT COMMITTEE

The Company has established an audit committee since 8 May 2001 with written terms of reference and the duties of the audit committee include reviewing the Company's annual reports and interim reports and providing advice and comments to the Directors. The audit committee is also responsible for reviewing and supervising the financial reporting and internal control procedures of the Group.

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As at the date of this report, the audit committee comprises three independent non-executive Directors, namely, Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen. During the year ended 30 June 2006, the audit committee has met twice to review the interim and annual results of the Group.

SUFFICIENT OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the directors of the Company as at the date of this annual report, the Company has maintained the prescribed public float under the Listing Rules.

AUDITORS

KPMG were first appointed as auditors of the Company in 2005 upon the retirement of CCIF CPA Limited.

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

By Order of the Board

Lin Wan Qaing

Chairman

Hong Kong, 19 October 2006