Notes to the Financial Statements

For the year ended 30 June 2006
(Expressed in Renminbi)

1. SIGNIFICANT ACCOUNTING POLICIES

Sinotronics Holdings Limited (the "Company") is a company incorporated in the Cayman Islands.

The consolidated financial statements of the Company for the year ended 30 June 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates.

(a) Statement of compliance

These 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 ("HKAS") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong ("HKGAAP") and the disclosure requirements of the Hong Kong Companies Ordinance. These 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.

Up to the date of issue of these financial statements, the HKICPA has issued a number of new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2006 and which have not been adopted in these financial statements. Information on the possible impact of amendments, new standards and interpretations issued but not yet effective for the annual accounting period ended 30 June 2006 is provided in note 33. For new and revised HKFRSs that are effective or available for early adoption for accounting periods beginning on or after 1 January 2005, the Group had early adopted for the financial statements for the year ended 30 June 2005. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation of the financial statements

The financial statements are in Renminbi, rounded in the nearest thousand. The measurement basis used in the preparation of the financial statements is historical cost except that the following assets are stated at their fair value as explained in the accounting policies set out below:

— buildings held for own use (see note 1(f)(i));

— trading securities (see note 1(d)); and

— derivative financial instruments (see note 1(e)).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

The accounting policies have been applied consistently by group entities.

(c) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital or controls more than half of the voting power or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries (continued)

Minority interests at the balance sheet date, being the portion of the net assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

(d) Trading securities

Investments in securities held for trading are classified as current assets and are initially stated at fair value. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in the income statement.

Investments are recognised/derecognised on the date the Group and/or the Company commits to purchase/sell the investments or they expire.

(e) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is charged immediately to the income statement.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, plant and equipment

(i) Property, plant and equipment are carried in the balance sheets on the following bases:

— buildings held for own use are stated in the balance sheets at revalued amount less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimates, where relevant, of the cost of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads;

— machinery and other fixed assets are stated in the balance sheets at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)); and

— construction-in-progress represents buildings under construction and machinery pending for installation. It is stated at cost, which includes construction expenditures incurred, cost of machinery, and other direct costs capitalised during the construction and installation period.

(ii) Revaluations are performed with sufficient regularity to ensure that the carrying amount of these assets does not differ materially from that which would be determined using fair values at the balance sheet date.

(iii) Changes arising on the revaluation of buildings held for own use are generally dealt with in reserves. The only exceptions are as follows:

— when a deficit arises on revaluation, it will be charged to the income statement to the extent that it exceeds the amount held in the reserve in respect of that same asset immediately prior to the revaluation; and

— when a surplus arises on revaluation, it will be credited to the income statement to the extent that a deficit on revaluation in respect of that same asset had previously been charged to the income statement.

(iv) Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in the income statement on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Leased assets

(i) *Classification of assets leased to the Group*

Assets that are held by Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Company or Group will obtain ownership of the asset, the life of the asset, as set out in note 1(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense during the accounting period in which they are incurred.

(iii) *Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Depreciation

(i) No depreciation is provided on construction-in-progress until it is available for use.

(ii) Depreciation is calculated to write off the cost or valuation of property, plant and equipment less estimated residual value over their estimated useful lives as follows:

— buildings held for own use are depreciated on a straight-line basis over the shorter of their estimated useful lives, being 25 years from the date of completion, and the remaining terms of the leases; and

— other property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery	10 years
Furniture and equipment	5 years
Motor vehicles	5 years

(i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— interests in leasehold land held for own use under operating lease; and

— investments in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

(i) *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets (continued)

(ii) *Recognition of impairment losses*

An impairment loss is recognised in the income statement whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

(iii) *Reversals of impairment losses*

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period in which the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less impairment losses for bad and doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less impairment losses for bad and doubtful debts.

Impairment losses for bad and doubtful debts are measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted where the effect of discounting is material.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(m) Convertible bonds

Convertible bonds that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. At initial recognition the liability component of the convertible notes is calculated as the present value of the future interest and principal payments, discounted at the market rate of interest applicable at the time of initial recognition to similar liabilities that do not have a conversion option. Any excess of proceeds over the amount initially recognised as the liability component is recognised as the equity component. The liability component is subsequently carried at amortised costs. The interest expense recognised in the income statement is calculated using the effective interest rate method.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(o) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(p) Employee benefits

(i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and mandatory central pension schemes organised by the PRC government are recognised as an expense in the income statement as incurred, except to the extent that they are included in the cost of inventory not yet recognised as an expense.

(iii) Pursuant to the 2003 Scheme, the Board may offer certain employees of the Group options to subscribe for such number of shares in the Company. The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at the grant date using the Black-Scholes-Merton Option Pricing Model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the share options, the total estimated fair value of the share options is spread over the vesting period, taking into account the probability that the options will vest.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve). The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

However, no employee benefit cost or obligation is recognised at the date of grant for options granted to employees which had vested before 1 July 2004.

(q) Income tax

(i) Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in the income statement except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

(ii) Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Notes to the Financial Statements

For the year ended 30 June 2006
(Expressed in Renminbi)

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (continued)

(iv) Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities if, and only if, the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition

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

(i) *Sales of goods*

Revenue is recognised when goods are delivered and title has passed. 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.

(t) Research and development costs

Research and development costs comprise all costs that are directly attributable to research and development activities or that can be allocated on a reasonable basis to such activities. Because of the nature of the Group's research and development activities, the criteria for the recognition of such costs as an asset are generally not met until late in the development stage of the project when the remaining development costs are immaterial. Hence both research costs and development costs are generally recognised as expenses in the period in which they are incurred.

(u) Translation of foreign currencies

Foreign currency transactions during the year are translated into Renminbi at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Renminbi at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Translation of foreign currencies (continued)

The results of foreign enterprises are translated into Renminbi at the exchange rates approximating the foreign exchange rates ruling at the dates of transactions. Balance sheet items are translated into Renminbi at the foreign exchange rates ruling at the balance sheet date. The resulting exchange differences are recognised directly in a separate component of equity.

On disposal of a foreign enterprise, the cumulative amount of the exchange differences which relate to that foreign enterprise is included in the calculation of the profit or loss on disposal.

(v) Borrowing costs

Borrowing costs are expensed in the income statement in the period in which they are incurred.

(w) Dividends

Dividends are recognised as a liability in the period in which they are declared.

(x) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals (being members of key management personnel, significant shareholders and/or their close family members) or other entities and include entities which are under the significant influence of related parties of the Group where those parties are individuals, and post-employment benefit plans which are for the benefit of employees of the Group or of any entity that is a related party of the Group.

(y) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

1. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Segment reporting (continued)

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographic segment information as the secondary reporting format for the purposes of these financial statements.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

2. TURNOVER

The Company acts as an investment holding company and the Group is principally engaged in the manufacture and sales of printed circuit boards ("PCBs") and 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:

	2006 ***RMB'000***	2005 *RMB'000*
Sales of PCBs	**454,784**	360,855
Sales of PCBs assembling products	**45,363**	8,932
SMT processing service income	**25,806**	—
	525,953	369,787

3. OTHER REVENUE

	2006 RMB'000	2005 RMB'000
Other revenue		
Interest income	6,272	2,642
Others	2,459	306
	8,731	2,948

4. PROFIT BEFORE TAXATION

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

		2006 RMB'000	2005 RMB'000
(a)	Finance costs:		
	Interest on bank loans wholly repayable within five years	11,923	6,939
	Finance charges on obligations under finance leases	1,217	659
	Interest on convertible bonds wholly repayable within five years	6,002	1,090
	Fair value adjustments on derivative financial instruments	13,966	—
	Other borrowing costs	131	99
	Total borrowing costs	33,239	8,787
(b)	Staff costs:#		
	Contributions to defined contribution plans	3,434	1,800
	Employees share option benefits	—	1,496
	Salaries, wages and other benefits	25,414	14,527
		28,848	17,823

4. PROFIT BEFORE TAXATION (CONTINUED)

	2006 RMB'000	2005 RMB'000
(c) Other items:		
Cost of inventories#	339,663	222,783
Amortisation of interest in leasehold land held for own use under operating lease#	276	131
Depreciation#		
— owned fixed assets	15,695	16,064
— assets held for use under finance lease	3,258	60
Operating lease rentals for premises#	1,787	663
Research and development costs	—	673
Auditors' remuneration		
— audit service	1,980	1,435
— other services	50	—
Impairment losses of trade and other receivables	2,087	3,513
Reversal of impairment losses of trade and other receivables	(2,940)	—
Bad debts written off	—	743
(Gain)/loss derived from trading securities	(10)	8

Cost of inventories includes RMB38,510,000 (2005: RMB27,483,000) relating to staff cost, 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 4(b) for each of these types of expenses.

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2006 RMB'000	2005 RMB'000
Current tax — Overseas		
Provision for PRC enterprise income tax	21,756	21,464
Overprovision in respect of prior years	—	(285)
	21,756	21,179
Deferred tax		
Origination and reversal of temporary differences	(531)	(2,905)
	21,225	18,274

5. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (CONTINUED)

(a) Taxation in the consolidated income statement represents: (continued)

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 Group's subsidiaries in the PRC are subject to PRC enterprise income tax at a preferential rate of 15%. In accordance with the relevant tax rules and regulations in the PRC, two subsidiaries in the PRC are fully exempted from PRC enterprise income tax until 31 December 2007. Thereafter, they will be entitled to a 50% reduction of PRC income tax for the next three years.

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2006 *RMB'000*	2005 *RMB'000*
Profit before tax	**129,312**	105,092
Notional tax on profit before tax, calculated at the rates applicable to profits in the countries concerned	**18,703**	15,177
Tax effect of non-deductible expenses	**6,228**	3,071
Tax effect of non-taxable revenue	**(1,124)**	(89)
Tax effect of prior year's tax loss utilised this year	**(2,405)**	—
Tax effect of unused tax losses not recognised	**—**	2,808
Tax effect of net income under tax holiday	**(177)**	—
Deferred tax assets previously not recognised	**—**	(2,408)
Over-provision in prior years	**—**	(285)
Actual tax expenses	**21,225**	18,274

Notes to the Financial Statements

For the year ended 30 June 2006
(Expressed in Renminbi)

6. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules is as follows:

	Fees		Salaries and other emoluments		Retirement scheme contributions		Employee share option benefits		Total	
Name	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000	2006 RMB'000	2005 RMB'000
Executive directors:										
Lin Wan Qaing	—	—	1,084	817	12	14	—	187	1,096	1,018
Chen Yan Shun	—	—	93	996	—	—	—	117	93	1,113
Liu Zhao Cai	—	—	370	360	—	1	—	117	370	478
Xiang Song	—	—	370	504	—	1	—	117	370	622
Tong Yiu On	—	—	621	816	12	13	—	117	633	946
Independent non-executive directors:										
Pan Chang Chi	10	11	—	—	—	—	—	—	10	11
Cai Xun Shan	10	10	—	—	—	—	—	—	10	10
Cheung Chuen	47	24	—	—	—	—	—	—	47	24
	67	45	2,538	3,493	24	29	—	655	2,629	4,222

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2005: five) are directors whose emoluments are disclosed in note 6. The aggregate of the emoluments in respect of the remaining one individual in 2006 were as follows:

	2006 RMB'000	2005 RMB'000
Salaries and other emoluments	296	—
Retirement scheme contributions	12	—
	308	—

During the years ended 30 June 2006 and 2005, no emoluments were paid to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office.

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS (CONTINUED)

The emoluments of the one individual in 2006 with the highest emoluments were within the following band:

	Number of individuals 2006	Number of individuals 2005
Nil–RMB1,030,000 (equivalent to approximately nil–HK$1,000,000)	**1**	—

8. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of approximately RMB29,655,000 (2005: RMB12,776,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's (loss)/profit for the year:

	2006 ***RMB'000***	2005 *RMB'000*
Amount of loss attributable to shareholders dealt with in the Company's financial statements	**(29,655)**	(12,776)
Final dividends from subsidiaries attributable to the profits of the previous financial year, declared and received during the year	**16,560**	15,921
Company's (loss)/profit for the year *(note 24(b))*	**(13,095)**	3,145

9. DIVIDENDS

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

	2006	2005
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK$0.035 (equivalent to approximately RMB0.03605) per ordinary share (2005: HK$0.035 (equivalent to approximately RMB0.0371) per ordinary share)	**19,942**	17,349

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

	2006	2005
	RMB'000	*RMB'000*
Final dividend of HK$0.035 (equivalent to approximately RMB0.0364 per ordinary share (2005: HK$0.035 (equivalent to approximately RMB0.0371) per ordinary share) in respect of the previous financial year, approved and paid during the year	**17,022**	17,349

10. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of approximately RMB101,816,000 (2005: RMB80,427,000) and the weighted average number of 467,625,000 (2005: 467,625,000) ordinary shares in issue during the year.

(Expressed in Renminbi)

10. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to shareholders of approximately RMB118,863,000 (2005 (restated): RMB81,400,000) as adjusted for interest and exchange gain on convertible bonds and fair value adjustments on derivative financial instruments of RMB17,047,000 (2005 (restated): RMB973,000) and the weighted average number of 561,150,000 (2005 (restated): 484,280,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares.

	2006 *thousand*	2005 *thousand (restated)*
Weighted average number of ordinary shares used in calculating basic earnings per share	467,625	467,625
Deemed issue of ordinary shares as a result of conversion of convertible bonds for no consideration	93,525	16,655
	561,150	484,280

11. SEGMENT REPORTING

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

(a) Business segment

The Group comprises the following main business segments:

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

Notes to the Financial Statements

For the year ended 30 June 2006
(Expressed in Renminbi)

11. SEGMENT REPORTING (CONTINUED)

(a) Business segment (continued)

	PCBs		PCBs assembling products		SMT Processing		Inter-segment elimination		Unallocated		Consolidated	
	2006 *RMB'000*	2005 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*	2006 *RMB'000*	2005 *RMB'000*
Revenue from external customers	454,784	360,855	45,363	8,932	25,806	—	—	—	—	—	525,953	369,787
Inter-segment revenue	809	90	—	—	9	—	(818)	(90)	—	—	—	—
Total	455,593	360,945	45,363	8,932	25,815	—	(818)	(90)	—	—	525,953	369,787
Segment result	165,202	127,350	1,316	(4,330)	2,879	—	—	—	—	—	169,397	123,020
Unallocated operating income and expenses											(6,846)	(10,731)
Profit from operations											162,551	112,289
Finance costs											(33,239)	(8,787)
Share of profits less losses of associates	—	—	—	—	—	—	—	—	—	6,655	—	6,655
Loss on disposal of associates	—	—	—	—	—	—	—	—	—	(5,065)	—	(5,065)
Taxation											(21,225)	(18,274)
Minority interests											(6,271)	(6,391)
Profit after taxation											101,816	80,427
Depreciation and amortisation for the year	17,608	15,386	480	794	1,051	—	—	—	90	75	19,229	16,255
Segment assets	1,044,274	777,679	74,757	88,771	159,134	—	(138,867)	(9,560)	57,058	99,103	1,196,356	955,993
Segment liabilities	312,168	224,837	75,557	52,467	159,449	—	(138,867)	(9,560)	86,773	65,755	495,080	333,499
Capital expenditure	81,655	84,761	29,991	8,065	65,581	—	—	—	—	4	177,227	92,830

11. SEGMENT REPORTING (CONTINUED)

(b) Geographical segment

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 (including Hong Kong and Taiwan), Australia and Germany.

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Segment revenue		
— PRC, excluding Hong Kong and Taiwan	**440,976**	307,006
— Australia	**42,197**	39,144
— Hong Kong	**12,808**	2,219
— Germany	**6,498**	3,300
— Taiwan	**—**	16,603
— Others	**23,474**	1,515
Total revenue from external customers	**525,953**	369,787
Segment assets		
— PRC, excluding Hong Kong and Taiwan	**1,139,298**	856,890
— Others	**57,058**	99,103
	1,196,356	955,993
Capital expenditures		
— PRC, excluding Hong Kong and Taiwan	**177,227**	92,830
— Others	**—**	—
	177,277	92,830

Notes to the Financial Statements

For the year ended 30 June 2006
(Expressed in Renminbi)

12. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

Year 2004/2005

	Buildings held for own use *RMB'000*	Machinery *RMB'000*	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost or valuation:						
At 1 July 2004	47,009	94,548	3,261	3,362	768	148,948
Additions	38,596	51,567	2,042	672	9,154	102,031
Reclassifications	5,216	51	—	—	(5,267)	—
Disposals	—	—	(33)	—	—	(33)
At 30 June 2005	90,821	146,166	5,270	4,034	4,655	250,946
Representing:						
Cost	55,877	146,166	5,270	4,034	4,655	216,002
Valuation	34,944	—	—	—	—	34,944
	90,821	146,166	5,270	4,034	4,655	250,946
Aggregate depreciation:						
At 1 July 2004	2,636	33,251	2,397	3,011	—	41,295
Depreciation charge for the year	4,103	11,699	229	93	—	16,124
Written back on disposals	—	—	(2)	—	—	(2)
At 30 June 2005	6,739	44,950	2,624	3,104	—	57,417
Net book value:						
At 30 June 2005	84,082	101,216	2,646	930	4,655	193,529

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) The Group (continued)

Year 2005/2006

	Buildings held for own use *RMB'000*	Machinery *RMB'000*	Furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction in progress *RMB'000*	Total *RMB'000*
Cost or valuation:						
At 1 July 2005	90,821	146,166	5,270	4,034	4,655	250,946
Additions	3,713	25,222	492	119	127,794	157,340
Reclassifications	54,094	72	1,081	—	(55,247)	—
Fair value adjustment	46	—	—	—	—	46
Less: Elimination of accumulated depreciation	(10,383)	—	—	—	—	(10,383)
Exchange adjustments	—	—	(13)	—	—	(13)
At 30 June 2006	138,291	171,460	6,830	4,153	77,202	397,936
Representing:						
Cost	—	171,460	6,830	4,153	77,202	259,645
Valuation	138,291	—	—	—	—	138,291
	138,291	171,460	6,830	4,153	77,202	397,936
Aggregate depreciation:						
At 1 July 2005	6,739	44,950	2,624	3,104	—	57,417
Depreciation charge for the year	3,644	14,256	852	201	—	18,953
Elimination on revaluation	(10,383)	—	—	—	—	(10,383)
Exchange adjustments	—	—	(8)	—	—	(8)
At 30 June 2006	—	59,206	3,468	3,305	—	65,979
Net book value:						
At 30 June 2006	138,291	112,254	3,362	848	77,202	331,957

Notes to the Financial Statements

For the year ended 30 June 2006
(Expressed in Renminbi)

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) The Company

	Furniture and equipment	
	2006	2005
	RMB'000	*RMB'000*
Cost:		
At 1 July	**125**	125
Aggregate depreciation:		
At 1 July	**92**	78
Depreciation charge for the year	**17**	14
At 30 June	**109**	92
Net book value:		
At 30 June	**16**	33

(c) All the Group's buildings are located in the PRC. The Group's buildings were revalued at 30 June 2006 by an independent firm of surveyors, BMI Appraisals Limited who has among their staff Fellows of Hong Kong Institute of Surveyors, on an open market value basis.

(d) 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 2006, the net book value of machineries held under finance leases of the Group was RMB35,290,000 (2005: RMB25,968,000).

(e) Had the buildings held for own use of the Group been carried at cost less accumulated depreciation, the carrying amount would have been RMB138,245,000 (2005: 84,082,000).

13. INTEREST IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

The analysis of net book value of leasehold land held for own use is as follows:

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Outside Hong Kong		
— long leases	**15,094**	—
— medium-term leases	**2,522**	2,653
	17,616	2,653

14. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2006	2005
	RMB'000	*RMB'000*
Unlisted shares, at cost	**93,975**	93,974

(Expressed in Renminbi)

14. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries as at 30 June 2006 were as follows:

Name of company	Place of incorporation and/or operations	Particulars of issued and fully paid capital	Proportion of ownership interest: Group's effective interest	held by the Company	held by subsidiary	Principal activities
Superford Holding Limited	British Virgin Islands ("BVI")/Hong Kong	10,001 shares of US$1 each	100%	100%	—	Investment holding
Artic Hong Kong Limited	Hong Kong	2 shares of HK$1 each	100%	100%	—	Provision of administrative services to the Group
Dynamic Fortune Technology Limited	BVI/Hong Kong	100 shares of US$1 each	100%	100%	—	Investment holding
China Electronic Holdings Limited	Hong Kong	2 shares of HK$1 each	100%	100%	—	Not yet commenced business
Tempest Trading Limited	BVI/Hong Kong	1 share of US$1 each	100%	100%	—	Investment holding
Winrise International Limited	BVI/Hong Kong	100 shares of US$ 1 each	100%	100%	—	Investment holding
Herowin Limited	BVI	100 shares of US$1 each	100%	100%	—	Investment holding
Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang")*	PRC	RMB92,000,000	95%	—	95%	Manufacturing and trading of printed circuit boards ("PCBs")
Gemini Electronics (Huizhou) Co., Ltd. ("Gemini")*	PRC	US$5,970,435	100%	—	100%	Manufacturing and trading of PCBs
Shuangxiang (Fujian) Electronics Limited ("Shuangxiang")*	PRC	RMB40,633,800	100%	—	100%	Manufacturing and trading of PCBs assembling products and provision for surface mount technology processing service
Fuqing Haichuang Electron Technology Co., Ltd. ("Haichuang")*	PRC	US$11,950,000	100%	—	100%	Not yet commenced business

* Registered under the laws of the PRC as foreign investment enterprise.

15. INVENTORIES

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Raw materials	**14,795**	15,757
Work-in-progress	**6,888**	2,629
Finished goods	**6,781**	2,851
	28,464	21,237

The carrying amount of inventories sold in 2006 was RMB339,663,000 (2005: RMB222,783,000).

16. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Amounts due from subsidiaries	**—**	—	**240,096**	214,990
Bills receivable	**12,487**	—	**—**	—
Trade receivables	**209,904**	155,370	**—**	—
Advances and deposits to suppliers	**1,938**	10,404	**—**	—
Rental and other deposits	**526**	263	**—**	—
Advances to employees	**668**	883	**—**	—
Amounts due from a related party	**6,800**	—	**—**	—
Prepayments	**3,542**	1,197	**257**	—
Others	**4,354**	11,993	**—**	—
	240,219	180,110	**240,353**	214,990

The amounts due from subsidiaries are unsecured, non-interest bearing and have no fixed terms of repayment.

All of the trade and other receivables, apart from rental and other deposits, are expected to be recovered within one year.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

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

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Invoice date:		
— Within 3 months	170,281	128,848
— 3 to 6 months	58,042	39,111
— 6 to 12 months	1,218	3,643
— More than 12 months	4,499	1,668
	234,040	173,270
Less: Impairment losses	(11,649)	(17,900)
	222,391	155,370

The Group's credit policy is set out in note 27(a). Bills discounted to banks with recourse totalling RMB8,293,000 (2005: Nil) were included in the bills receivable at 30 June 2006 (note 20).

Included in trade and other receivables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	2006	2005
	'000	*'000*	*'000*	*'000*
United States Dollars	USD2,670	USD2,998	USD—	USD—
Hong Kong Dollars	HKD622	HKD1,007	HKD250	HKD—
Euros	EUR287	EUR121	EUR—	EUR—

17. PLEDGED BANK DEPOSITS

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Maturing after three months from placement	**—**	5,329

The bank deposit was pledged to a bank against a bank loan granted to the Group (note 20).

18. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Deposits with banks and other financial institutions	**55,673**	101,694	**49,634**	95,698
Cash at bank and in hand	**517,130**	439,221	**5,841**	1,420
	572,803	540,915	**55,475**	97,118

At 30 June 2006, cash and cash equivalents of RMB515,045,000 (2005: RMB436,725,000) of the Group were subject to exchange control in the PRC.

Included in cash and cash equivalents in the balance sheets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	*'000*	***'000***	*'000*
United States Dollars	**USD6,696**	USD9,008	**USD6,526**	USD9,008
Hong Kong Dollars	**HKD3,666**	HKD22,585	**HKD2,803**	HKD21,255

Notes to the Financial Statements

For the year ended 30 June 2006
(Expressed in Renminbi)

19. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Trade payables	**62,737**	35,445	**—**	—
Bills payable	**19,447**	12,874	**—**	—
Other payables and accruals	**17,884**	9,841	**4,550**	2,650
Other tax payable	**4,028**	4,755	**—**	—
Payable for purchase of property, plant and equipment	**17,806**	16,049	**—**	—
Staff welfare payable	**10,586**	7,852	**—**	—
Utility and rental payable	**1,804**	1,727	**—**	—
Derivative financial instruments	**25,709**	—	**25,709**	—
Amounts due to subsidiaries	**—**	—	**5,256**	10,498
Amount due to a related party	**1,000**	1,000	**—**	—
Amount due to a director	**14,728**	11,596	**2,724**	47
	175,729	101,139	**38,239**	13,195

Amounts due to a related party and a director are unsecured, non-interest bearing and have no fixed terms of repayment.

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

	The Group	
	2006	2005
	RMB'000	*RMB'000*
Due within 6 months or on demand	**79,506**	47,777
Due after 6 months but within 1 year	**2,394**	542
Due after 1 year	**284**	—
	82,184	48,319

19. TRADE AND OTHER PAYABLES (CONTINUED)

Included in trade and other payables are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2006	2005	**2006**	2005
	'000	*'000*	***'000***	*'000*
United States Dollars	**USD326**	USD190	**USD—**	USD—
Hong Kong Dollars	**HKD5,590**	HKD8,089	**HKD4,417**	HKD2,500
Euros	**EUR60**	EUR—	**EUR—**	EUR—

20. BANK LOANS

At 30 June 2006, the bank loans were repayable as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year or on demand	**199,391**	110,657	**56,298**	24,742
After 1 year but within 2 years	**—**	8,247	**—**	8,247
After 2 years but within 5 years	**30,000**	24,887	**—**	24,887
	30,000	33,134	**—**	33,134
	229,391	143,791	**56,298**	57,876

An amount of US$7,008,000 (2005: US$7,000,000) was included in bank loans of the Group and the Company.

20. BANK LOANS (CONTINUED)

At 30 June 2006, the bank loans were secured as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Secured by bank deposit *(note (i))*	**—**	4,500	**—**	—
Secured by bills receivable	**8,293**	—	**—**	—
Unsecured *(note (ii))*	**221,098**	139,291	**56,298**	57,876
	229,391	143,791	**56,298**	57,876

Notes:

(i) At 30 June 2005, a bank deposit of RMB5,329,000 was pledged to a bank against a bank loan of RMB4,500,000 granted to the Group.

(ii) A corporate guarantee is issued by the Company in respect of bank loans of RMB144,800,000 (2005: RMB81,415,000) granted to a subsidiary.

(iii) The Group's weighted average interest rate per annum on short-term loans were 6.36% (2005: 6.06%).

(iv) The Group's and the Company's weighted average interest rate per annum on long-term loans were 5.85% (2005: 3.94%).

(v) At 30 June 2006, the Group had undrawn committed borrowing facilities of RMB40,000,000 (2005: RMB8,385,000) in respect of which all conditions precedent had been met.

(vi) Certain banking facilities of the Group are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 27(b). As at 30 June 2006, none of the covenants relating to drawn down facilities had been breached (2005: nil).

21. OBLIGATIONS UNDER FINANCE LEASES

At 30 June 2006, the obligations under finance leases were repayable as follows:

	The Group					
	2006			2005		
	Present value of the minimum lease payments *RMB'000*	Interest expense relating to future periods *RMB'000*	Total minimum lease payments *RMB'000*	Present value of the minimum lease payments *RMB'000*	Interest expense relating to future periods *RMB'000*	Total minimum lease payments *RMB'000*
Within 1 year	6,257	700	6,957	9,899	560	10,459
After 1 year but within 2 years	3,247	402	3,649	3,083	48	3,131
After 2 years but within 5 years	3,631	182	3,813	—	—	—
	6,878	584	7,462	3,083	48	3,131
	13,135	1,284	14,419	12,982	608	13,590

22. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2006 *RMB'000*	2005 *RMB'000*
Provision for PRC enterprise income tax for the year	21,756	21,464
Provisional PRC enterprise income tax paid	(16,257)	(15,105)
	5,499	6,359

22. INCOME TAX IN THE BALANCE SHEET (CONTINUED)

(b) Deferred tax assets recognised:

The components of deferred tax assets recognised in the consolidated balance sheet and the movements during the year are as follows:

	The Group		
	General provision *RMB'000*	Others *RMB'000*	Total *RMB'000*
Deferred tax arising from:			
At 1 July 2004	—	—	—
Credited to consolidated income statement	(2,905)	—	(2,905)
At 30 June 2005	(2,905)	—	(2,905)
At 1 July 2005	(2,905)	—	(2,905)
Charged/(credited) to consolidated income statement	22	(554)	(532)
Charged to reserves	—	7	7
At 30 June 2006	(2,883)	(547)	(3,430)

(c) Deferred tax assets not recognised:

At 30 June 2006, the Group had not recognised deferred tax assets in respect of tax losses of approximately RMB3,303,000 (2005: RMB19,334,000) as it is not probable that the tax losses can be utilised after the tax holiday. At 30 June 2006, the Group's tax losses of approximately RMB3,303,000 will expire on 31 December 2009 (2005: RMB19,334,000 and RMB614,000 would expire on 31 December 2009 and 2008 respectively).

23. CONVERTIBLE BONDS

On 27 April 2005, the Company issued convertible bonds at a nominal value of US$10,000,000 (approximately RMB80,340,000). The bonds bear interest at 2% interest rate per annum and have a three-year term ("conversion period") from the date of issue.

The bonds can be converted into new ordinary shares at any time during the conversion period at either:

— fixed conversion price being 130% of HK$0.9017; or

— floating conversion price being 90% of the average of any four consecutive closing prices per share as selected by the bondholders during the 30 consecutive business days immediately prior to the date on which the conversion notice is received by the Company.

The Company may redeem any bond during the conversion period if the closing price per the Company's ordinary share is less than or equal to HK$0.5861. Since the date of issue, there has been no conversion or redemption. The entire convertible bonds were converted in July 2006.

24. CAPITAL AND RESERVES

(a) The Group

	Attributable to equity shareholders of the parent										
	Share capital RMB'000	Share premium RMB'000	Share-based compensation reserve *(note (i))* RMB'000	Convertible bonds reserve *(note (ii))* RMB'000	Capital reserve *(note (iii))* RMB'000	Exchange reserve *(note (iv))* RMB'000	Building valuation reserve *(note (v))* RMB'000	Retained profits RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 July 2004	49,568	159,175	—	—	46,115	—	—	251,414	506,272	34,207	540,479
Dilution arising from capital injected by the Group	—	—	—	—	—	—	—	13,913	13,913	(13,913)	—
Employee share option benefit	—	—	1,496	—	—	—	—	—	1,496	—	1,496
Lapse/cancellation of employee share option	—	—	(187)	—	—	—	—	187	—	—	—
Other share-based compensation	—	—	144	—	—	—	—	—	144	—	144
Convertible bonds issued *(note 23)*	—	—	—	11,743	—	—	—	—	11,743	—	11,743
Dividend approved in respect of the previous year *(note 9(b))*	—	—	—	—	—	—	—	(17,349)	(17,349)	(837)	(18,186)
Profit for the year	—	—	—	—	—	—	—	80,427	80,427	6,391	86,818
At 30 June 2005	49,568	159,175	1,453	11,743	46,115	—	—	328,592	596,646	25,848	622,494
At 1 July 2005	49,568	159,175	1,453	11,743	46,115	—	—	328,592	596,646	25,848	622,494
Lapse employee share option	—	—	(1,309)	—	—	—	—	1,309	—	—	—
Exchange difference on translation of financial statements of overseas subsidiaries	—	—	—	—	—	297	—	—	297	—	297
Surplus on revaluation of buildings held for own use, net of deferred tax	—	—	—	—	—	—	39	—	39	—	39
Redesignation of convertible bonds reserve *(note (ii))*	—	—	—	(11,743)	—	—	—	—	(11,743)	—	(11,743)
Dividend approved in respect of the previous year *(note 9(b))*	—	—	—	—	—	—	—	(17,022)	(17,022)	(876)	(17,898)
Profit for the year	—	—	—	—	—	—	—	101,816	101,816	6,271	108,087
At 30 June 2006	49,568	159,175	144	—	46,115	297	39	414,695	670,033	31,243	701,276

24. CAPITAL AND RESERVES (CONTINUED)

(b) The Company

	Share capital RMB'000	Share premium RMB'000	Share-based compensation reserve *(note (i))* RMB'000	Convertible bonds reserve *(note (ii))* RMB'000	Contributed surplus *(note (vi))* RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 July 2004	49,568	159,175	—	—	63,654	(5,760)	266,637
Employees share option benefit	—	—	1,496	—	—	—	1,496
Lapsed/cancellation of employee share options	—	—	(187)	—	—	187	—
Other share-based compensations	—	—	144	—	—	—	144
Convertible bonds issued	—	—	—	11,743	—	—	11,743
Dividend approved in respect of the previous year *(note 9(b))*	—	—	—	—	(17,349)	—	(17,349)
Profit for the year	—	—	—	—	—	3,145	3,145
At 30 June 2005	49,568	159,175	1,453	11,743	46,305	(2,428)	265,816
At 1 July 2005	49,568	159,175	1,453	11,743	46,305	(2,428)	265,816
Lapsed of employee share options	—	—	(1,309)	—	—	1,309	—
Redesignation of convertible bonds reserve *(note (ii))*	—	—	—	(11,743)	—	—	(11,743)
Dividend approved in respect of the previous year *(note 9(b))*	—	—	—	—	(17,022)	—	(17,022)
Loss for the year	—	—	—	—	—	(13,095)	(13,095)
At 30 June 2006	49,568	159,175	144	—	29,283	(14,214)	223,956

Notes:

(i) Share-based compensation reserve represents the value of share options granted to the option holders the right to subscribe for ordinary shares of the Company (note 26).

(ii) Convertible bonds reserve represents the excess of the issue proceeds over the present value of the future interest and principal payments of the convertible bonds, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option (note 23). During the current year, the Group has redesignated the entire reserve as derivative financial liabilities (note 19).

24. CAPITAL AND RESERVES (CONTINUED)

(b) The Company (continued)

Notes: (continued)

(iii) The capital reserve of the Group represents (i) capital reserve of a subsidiary and (ii) the difference between the nominal value of the ordinary shares issued by the Company and the aggregate of the share capital and share premium of a subsidiary acquired through an exchange of shares pursuant to the group reorganisation in 2001.

(iv) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in note 1(u).

(v) The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for land and buildings in note 1(f)(ii).

(vi) The contributed surplus of the Company represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to the group reorganisation in 2001.

(vii) As stipulated by rules and regulations in the PRC, Fuqiang is required to appropriate part of its after-tax profit determined in accordance with (after offsetting prior year losses) to a general reserve fund and enterprise expansion reserve fund at rates as determined by the board of directors. During the year ended 30 June 2006, the board of directors of Fuqiang determined that no appropriation was made to the general reserve fund and enterprise expansion fund (2005: Nil).

(viii) According to the relevant rules and regulations in the PRC, Gemini, Shuangxiang and Haichuang are required to appropriate 10% after-tax profit (after offsetting prior year losses), based on the PRC statutory financial statements prepared in accordance with the relevant accounting principles and financial regulations applicable to foreign investment enterprises in the PRC, to a general reserve fund until the balance of the reserve reaches 50% of their respective registered capital. Thereafter, any further appropriations can be made at the directors' discretion. The general reserve fund can be utilised to offset prior year losses, or be utilised for issuance of bonus shares on condition that the general reserve fund shall be maintained at a minimum of 25% of the registered capital after such issuance. During the years ended 30 June 2006 and 2005, no appropriation was made to the general reserve fund as Gemini and Shuangxiang have accumulated losses and Haichuang has not yet commenced business or not yet set up.

Under the Companies Law (Revised) of the Cayman Islands, share premium and contributed surplus are distributable to shareholders, subject to the condition that the Company cannot declare or pay a dividend, or make a distribution out of share premium and contributed surplus if (i) it is, or would after the payment be, unable to pay its liabilities as they become due, or (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital account.

As at 30 June 2006, the Company's reserves available for distribution to shareholders amounted to approximately RMB174,537,000 (2005: RMB216,248,000) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's Articles of Association.

24. CAPITAL AND RESERVES (CONTINUED)

(c) Authorised and issued share capital

	The Group and the Company			
	2006		2005	
	Number of shares	Amount	Number of shares	Amount
	'000	*RMB'000*	*'000*	*RMB'000*
Authorised:				
Ordinary shares of HK$0.10 (equivalent to approximately RMB0.106) each	1,000,000	106,000	1,000,000	106,000
Ordinary shares issued and fully paid:				
At 1 July and 30 June	467,625	49,568	467,625	49,568

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

25. EMPLOYEE RETIREMENT BENEFITS

Hong Kong

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by an independent approved trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the MPF Scheme vest immediately.

PRC, other than Hong Kong

The PRC subsidiaries of the Group participates in a mandatory central pension scheme organised by the PRC government for certain of its employees, the assets of which are held separately from those of the Group. Contributions made are based on a percentage of the eligible employees' salaries and are charged to the income statement as they became payable, in accordance with the rules of the scheme. The employers' contributions vest fully once they are made. Under this scheme, retirement benefits of existing and retired employees are payable by the relevant scheme administrators and the Group has no further obligations beyond the annual contributions.

(Expressed in Renminbi)

25. EMPLOYEE RETIREMENT BENEFITS (CONTINUED)

PRC, other than Hong Kong (continued)

The Group does not have any other pension schemes for its employees in respect of the subsidiaries outside Hong Kong and PRC. In the opinion of the directors of the Company, the Group did not have any significant liabilities beyond the above contributions in respect of the retirement benefits of its employees.

26. EQUITY COMPENSATION BENEFIT

The Company adopted a share option scheme for a period of 10 years commencing from 9 January 2003. Under the terms of this scheme, the exercise price of options will be determined by the board of directors of the Company and should not be less than the highest of (i) the nominal value of the Company's ordinary shares, (ii) the closing price of the ordinary shares on the Main Board of the Stock Exchange on the date of grant and (iii) the average closing price of the ordinary shares on the Main Board of the Stock Exchange for the five business days immediately preceding the date of grant. Each option gives the holder the right to subscribe for one ordinary share.

(a) Movements in share options

	Number of options	
	2006	2005
At 1 July	**32,000,000**	—
Granted	**—**	36,000,000
Lapsed	**(32,000,000)**	(3,000,000)
Cancelled	**—**	(1,000,000)
At 30 June	**—**	32,000,000
Options vested at 30 June	**—**	32,000,000

(Expressed in Renminbi)

26. EQUITY COMPENSATION BENEFIT (CONTINUED)

(b) Details of share options granted during the year, all of which were granted at a consideration of HK$1

Exercise period	Exercise price HK$	Number of options 2006	2005
Options grants to directors and eligible employees 17 December 2004 to 17 December 2005	0.89	—	32,000,000
Options grants to consultant 27 April 2005 to 27 April 2008	1.172	4,000,000	4,000,000
		4,000,000	36,000,000

In respect of the issuance of convertible bonds in April 2005, the Company issued 4,000,000 share options to a consultant as part of the compensation to the professional services provided.

(c) Terms of unexpired and unexercised share options at balance sheet date

Date of grant	Exercise period	Exercise price HK$	Number of options 2006	2005
17 December 2004	17 December 2004 to 17 December 2005	0.89	—	28,000,000
27 April 2005	27 April 2005 to 27 April 2008	1.172	4,000,000	4,000,000
			4,000,000	32,000,000

(Expressed in Renminbi)

26. EQUITY COMPENSATION BENEFIT (CONTINUED)

(d) Fair value of share options and assumptions

The fair value of services received in return for share options granted are measured by reference to the fair value of share options granted. The estimate of the fair value of the services received is measured based on Black-Scholes-Merton Option Pricing Model as follows:

	Option granted on 17 December 2004	**Option granted on 27 April 2005**
Fair value at measurement date	HK$0.044461	HK$0.034091
Exercise price	HK$0.89	HK$1.172
Risk fee rate	0.783%	2.850%
Nature of the share options	Call	Call
Expected life	1 year	3 years
Volatility	38.250%	33.090%
Expected dividend yield	5.89%	6.00%

The expected volatility is based on the historical share price of the Company over the 260 trading days immediately before the valuation date. Changes in the subjective input assumptions could materially affect the fair value estimate.

The above calculation is based on the assumption that there is no material difference between the expected volatility over the whole life of the options and the historical volatility of the ordinary shares as set out above.

27. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. These risks are limited by the Group's financial management policies and practices described below.

(a) Credit risk

The Group's credit risk is primarily attributable to deposits with banks and other financial institutions and trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (continued)

In respect of trade and other receivables, credit evaluations are performed on all customers requiring credit over a certain amount. 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. Normally, the Group does not obtain collateral from customers.

The major concentration of credit risk arises from exposures to deposits placed in financial institutions operating in one geographical region, the PRC. The Group only places deposits with the major financial institutions in the PRC.

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheets.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short term investment of surplus cash and the raising of loans to cover expected cash requirements, subject to approval by the Company's board when the borrowings exceed certain predetermined levels of authority. The Group regularly monitors current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk

In respect of income-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rate at the balance sheet date and the periods in which they reprice or the maturity dates, if earlier.

The Group

	2006					
	Effective interest rate %	Total *RMB'000*	1 year or less *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	More than 5 years *RMB'000*
Repricing dates for assets/(liabilities) which reprice before maturity						
Cash and cash equivalents	0.74	523,169	523,169	—	—	—
Finance lease liabilities	7.18	(13,135)	(13,135)	—	—	—
Bank loans	6.75	(86,298)	(86,298)	—	—	—
		423,736	423,736	—	—	—
Maturity dates for assets/(liabilities) which do not reprice before maturity						
Cash and cash equivalents	4.49	49,634	49,634	—	—	—
Bank loans	6.13	(143,093)	(143,093)	—	—	—
Convertible bonds	8.78	(71,326)	(71,326)	—	—	—
		(164,785)	(164,785)	—	—	—

	2005					
	Effective interest rate %	Total *RMB'000*	1 year or less *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	More than 5 years *RMB'000*
Repricing dates for assets/(liabilities) which reprice before maturity						
Pledged bank deposit	0.72	5,329	5,329	—	—	—
Cash and cash equivalents	0.72	444,217	444,217	—	—	—
Finance lease liabilities	7.00	(12,982)	(12,982)	—	—	—
Bank loans	4.85	(57,876)	(57,876)	—	—	—
		378,688	378,688	—	—	—
Maturity dates for assets/(liabilities) which do not reprice before maturity						
Cash and cash equivalents	2.82	96,698	96,698	—	—	—
Bank loans	6.13	(85,915)	(85,915)	—	—	—
Convertible bonds	7.68	(69,228)	—	—	(69,228)	—
		(58,445)	10,783	—	(69,228)	—

27. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Interest rate risk (continued)

The Company

	2006					
	Effective interest rate %	Total *RMB'000*	1 year or less *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	More than 5 years *RMB'000*
Repricing dates for assets/(liabilities) which reprice before maturity						
Cash and cash equivalents	2.51	5,840	5,840	—	—	—
Bank loans	7.30	(56,298)	(56,298)	—	—	—
		(50,458)	(50,458)	—	—	—
Maturity dates for assets/(liabilities) which do not reprice before maturity						
Cash and cash equivalents	4.49	49,635	49,635	—	—	—
Convertible bonds	8.78	(71,326)	(71,326)	—	—	—
		(21,691)	(21,691)	—	—	—

	2005					
	Effective interest rate %	Total *RMB'000*	1 year or less *RMB'000*	1–2 years *RMB'000*	2–5 years *RMB'000*	More than 5 years *RMB'000*
Repricing dates for assets/(liabilities) which reprice before maturity						
Cash and cash equivalents	1.29	1,420	1,420	—	—	—
Bank loans	4.85	(57,876)	(57,876)	—	—	—
		(56,456)	(56,456)	—	—	—
Maturity dates for assets/(liabilities) which do not reprice before maturity						
Cash and cash equivalents	2.85	95,698	95,698	—	—	—
Convertible bonds	7.68	(69,228)	—	—	(69,228)	—
		26,470	95,698	—	(69,228)	—

Notes to the Financial Statements

For the year ended 30 June 2006
(Expressed in Renminbi)

27. FINANCIAL INSTRUMENTS (CONTINUED)

(d) Foreign currency risk

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

(e) Fair values

Other than the fair value of share-based compensation reserve as at 30 June 2006, which is RMB272,000, all financial instruments are carried at amounts not materially different from their fair values as at 30 June 2006 and 2005.

(f) Reliance on major suppliers

For year ended 30 June 2006, the largest and the five largest suppliers of the Group in aggregate accounted for approximately 20% and 57% respectively of the Group's total purchases, evidencing a significant reliance on the Group's largest supplier for the year ended 30 June 2006. The Group maintains several vendors for each major supply in order to diversify its vendor base. During the year ended 30 June 2006, the Group had not encountered any material disruption of supply of raw materials and components used in the Group's manufacture of PCBs.

28. COMMITMENTS

(a) Capital commitments outstanding at 30 June 2006 not provided for in the financial statements were as follows:

	The Group	
	2006	2005
	RMB'000	RMB'000
Contracted for	**100,702**	15,638

28. COMMITMENTS (CONTINUED)

(b) At 30 June 2006, the total future minimum lease payments in respect of buildings under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2006	2005	**2006**	2005
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Within 1 year	**1,743**	761	**—**	—
After 1 year but within 5 years	**1,139**	886	**—**	—
	2,882	1,647	**—**	—

The Group leases a number of properties under operating leases. The leases typically run for an initial period of two to five years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

29. ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

Notes 26 and 27 contain information about the assumptions and their risk factors relating to fair value of share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

Impairment loss for doubtful accounts

The Group maintains impairment loss for doubtful accounts based upon evaluation of the recoverability of the trade receivables and other receivables at each balance sheet date. The estimates are based on the ageing of the trade receivables and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the customers were to deteriorate, additional impairment may be required.

Impairment loss for property, plant and equipment

The Group reviews the impairment loss of property, plant and equipment at least annually or whenever events or changes in circumstances have indicated that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount is estimated. The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset, which requires significant judgment relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

29. ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

Key sources of estimation uncertainty (continued)

Depreciation

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives. The Group reviews the estimated useful lives and residual values of the assets annually in order to determine the amount of depreciation expense to be recorded during any reporting period. The useful lives and residual values are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

30. MATERIAL RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these financial statements, the Group entered into the following material related party transactions:

		The Group	
		2006	2005
	Note	***RMB'000***	*RMB'000*
Lease rental charged by He Yu Zhu	(i)	**343**	343
Sales to Beijing Orient Top Victory Electronics Co., Ltd.	(ii)	**4,175**	3,147
Sales to TPV Electronics (Fujian) Company Limited	(iii)	**1,479**	25,031
Sales to Top Victory Electronics (Fujian) Company Limited	(iii)	**1,220**	1,115
Sales to TPV Technology (Wuhan) Co., Ltd.	(iii)	**1,019**	593
Remuneration for key management personnel			
— short-term employee benefit	(v)	**3,238**	3,837
— share-based payment		**—**	841

Notes:

(i) During the year, the Group entered into a lease arrangement with Ms. He Yu Zhu, the spouse of Mr. Lin Wan Qaing who is the controlling shareholder and a director of the Company, for leasing of an office premises in Fuzhou, the PRC. Office rentals are payable at a pre-determined amount per month by reference to market rates in accordance with the terms of the tenancy agreement signed by the Group and Ms. He Yu Zhu.

(ii) During the year, the Group sold goods to Beijing Orient Top Victory Electronics Co., Ltd., a subsidiary of BOE Technology Group Co., Ltd. ("BOE"), which Mr. Chen Yan Shun is the executive director and executive vice president of BOE. Mr. Chen Yan Shun was an executive director of the Group and he resigned on 1 April 2006.

30. MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

Notes: (continued)

(iii) During the year, the Group sold goods to TPV Electronics (Fujian) Company Limited, Top Victory Electronics (Fujian) Company Limited and TPV Technology (Wuhan) Co., Ltd., associates of BOE.

(iv) During the year, the Group provided advances of RMB6,800,000 to a company controlled by Ms. He Yu Zhu. The advances are unsecured, non-interest bearing and repayable on demand.

(v) Remuneration for key management personnel includes amounts paid to the Company's directors as disclosed in note 6. Total remuneration is included in staff cost (see note 5(b)).

31. POST BALANCE SHEET EVENTS

(a) Subsequent to the balance sheet date, all convertible bonds were converted into 85,544,000 ordinary shares of the Company.

(b) After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 9.

(c) On 4 September 2006, the directors granted share options to Eligible Participants to subscribe for an aggregate of 12,000,000 ordinary shares with value of approximately RMB2 million.

32. COMPARATIVE FIGURES

Comparative figures of diluted earnings per share and related information in note 10(b) have been adjusted as a result of adjustment of inadvertent mistakes.

(Expressed in Renminbi)

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 30 JUNE 2006

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and interpretations which are not yet effective for the period ended 30 June 2006 and which have not been adopted in these financial statements:

		Effective for accounting periods beginning on or after
HK(IFRIC) 5	Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds	1 January 2006
HK(IFRIC) 6	Liabilities arising from participating in a specific market — Waste electrical and electronic equipment	1 December 2005
Amendments to HKAS 39	Financial instruments:	
	Recognition and measurement:	
	— Cash flow hedge accounting of forecast intragroup transactions	1 January 2006
	— The fair value option	1 January 2006
	— Financial guarantee contracts	1 January 2006
Amendments, as a consequence of the Hong Kong Companies (Amendment) Ordinance 2005, to:		
— HKAS 1	Presentation of financial statements	1 January 2006
— HKAS 27	Consolidated and separate financial statements	1 January 2006
— HKFRS 3	Business combinations	1 January 2006
HKFRS 7	Financial instruments: disclosures	1 January 2007
Amendment to HKAS 1	Presentation of financial statements: capital disclosures	1 January 2007

33. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ANNUAL ACCOUNTING PERIOD ENDED 30 JUNE 2006 (CONTINUED)

In addition, the Hong Kong Companies (Amendment) Ordinance 2005 came into effect on 1 December 2005 and would be first applicable to the Group's financial statements for the period beginning 1 July 2006.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them may result in new or amended disclosure, it is unlikely to have a significant impact on the Group's results of operations and financial position.