LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2006, the Group was at its final stage of reorganisation (the "Reorganisation") in preparation for its listing on The Stock Exchange of Hong Kong Limited (the "Listing") on 2 February 2007. The Group's liquidity position has improved after taking in the net Listing proceeds, totalling approximately HK$1,046 million in February 2007.

As at 31 December 2006, the Group's net current liabilities and current ratio stood at HK$908.3 million and 0.67 respectively (2005: HK$207.2 million and 0.87 respectively). Net gearing ratio (total net borrowings as a percentage of total equity) was 1.67 in 2006 (2005: 0.96). The increase in net current liabilities position was primarily due to the HK$700 million payable to Photomask (HK) Limited ("PHKL"), the former holding company of the Group, being part of the consideration in acquiring the Group's printed circuit board ("PCB") and laminate businesses from PHKL on Reorganisation. Settlement of the HK$700 million had been financed mainly by drawing down short term loan of HK$140 million and long term loan of HK$550 million in January 2007 prior to Listing.

For indicative purposes, the Group had computed certain key ratios as if the Group had taken in the net Listing proceeds of HK$1,046 million and paid out the Reorganisation cost of HK$700 million at the year end. If the Group had taken in the net Listing proceeds of HK$1,046 million and paid out the Reorganisation cost of HK$700 million at the year end, the current ratio would have improved to 1.32, the gearing ratio would be 0.61 and the total equity would be improved from HK$937.7 million to HK$1,983.7 million.

Increased current assets had been primarily financed by higher creditors and accruals as well as borrowings as at 31 December 2006 which increased by 33% and 19% over 2005 respectively to HK$800 million and HK$1,026.2 million respectively (2005: HK$600.4 million and HK$863.3 million respectively).

Increase of the Group's total borrowings, including bank overdrafts and loans as at 31 December 2006 by 27.2% over 2005 to HK$1,775.3 million, was mainly due to the expansion of the Group's production facilities during the year under review.

Our banking facilities, comprising primarily bank loans and overdrafts, amounted to HK$3,399.1 million as at 31 December 2006, out of which approximately HK$1,531.1 million was unutilized.

As at 31 December 2006, the Group's cash and bank balances increased to HK$211.2 million from HK$174.3 million in 2005.

CHARGES ON GROUP ASSETS

The Group's assets were free from charge as of 31 December 2006. However the Group had floating debentures over the undertakings, properties and assets of certain subsidiaries amounting to HK$504.7 million, as securities for banking facilities as at 31 December 2005.

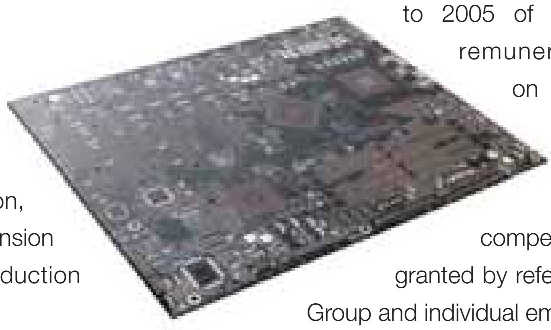
CAPITAL STRUCTURE

For the year ended 31 December 2006, the Group financed its liquidity requirements through a combination of cash flow as generated from operations, bank overdrafts and bank loans. After Listing, the Group expects the liquidity requirements will be satisfied by a combination of proceeds from the Listing, debt financing and cash generated by operations.

CAPITAL COMMITMENT AND CONTINGENT LIABILITIES

As of 31 December 2006, the Group had capital commitment in respect of purchases of property, plant and equipment of HK$278.3 million, and in respect of additional capital in certain subsidiaries of approximately HK$433.7 million.

During the years ended 31 December 2005 and 2006, the Group spent HK$528.3 million and HK$685.2 million, respectively, for on-going expansion and upgrading of our production facilities.



The Group had no material contingent liabilities at 31 December 2006 and 31 December 2005.

USE OF PROCEEDS

The Group has planned its overall capital expenditure of approximately HK$1.2 billion in 2007, majority of which will be financed from the net Listing proceeds of about HK$1.0 billion. As described in the prospectus of the Company dated 22 January 2007, the Group intends to apply (i) approximately HK$294 million to construct the first phase of the Group's new Guangzhou Meadville Electronics Co., Ltd. ("GME") plant for the production of advanced High Density Interconnect ("HDI") PCB products; (ii) approximately HK$229 million to construct the building for the Group's new plant in Dongguan for the production of conventional PCB products, intended for the PRC market and for the installation of certain equipment and facilities for part of this plant; (iii) approximately HK$227 million to expand capacity at the Group's Dongguan Meadville Circuits Limited ("DMC") plant, intended for the overseas market; (iv) approximately HK$157 million to construct the first phase of the Group's new Mica-AVA (Guangzhou) Material Company Ltd. ("MAGL") plant for laminate and prepreg production; and (v) approximately HK$103 million for capacity expansion and/or upgrade and replacement at the Group's existing production plants.

STAFF AND REMUNERATION POLICY

As at 31 December 2006, the Group had a total of 7,977 employees (2005: 6,396). Staff costs for the year ended 31 December 2006 was HK$419.1 million, representing an increase of 16.2% as compared to 2005 of HK$360.7 million. The Group remunerates its employees based on their performance and work experience and the prevailing market rates. Salaries of employees are maintained at competitive levels while bonuses are granted by reference to the performance of the Group and individual employees.

The Group has approved and adopted a share option scheme on 12 January 2007. No share option was granted under the scheme up to the announcement date.

FOREIGN EXCHANGE FLUCTUATION EXPOSURES AND HEDGES

The Group operates principally in Hong Kong and mainland China, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Renminbi. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group attempts to minimise its foreign exchange risk exposure through payment of operating costs and maintenance of borrowings at a balanced mix of major currencies.

In addition, the conversion of Renminbi into foreign currencies is subject to the rules and regulations of the foreign exchange controls promulgated by the China government.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARY AND ASSOCIATED COMPANY

The Group had no material acquisition and disposal of subsidiary during the year. However we incurred a one-time loss of HK$52.2 million in the year ended 31 December 2006, due to a reduction in our share of net asset value in Guangdong Shengyi Sci. Tech Co., Ltd. ("GSST"). As of 31 December 2005, the historical cost of our GSST shares totalled HK$70.1 million. These shares were restricted and could not be freely traded on the public market. However, on 19 January 2006, GSST approved the conversion of all restricted shares to unrestricted shares at a conversion price of 3.3 shares to the shareholders for every 10 unrestricted shares. Accordingly, the number of shares and percentage of equity held by us decreased from 165,305,000 shares to 141,525,000 shares, and from 25.91% to 22.18%, respectively and such shares have become gradually tradable effective from 9 March 2007. Pursuant to this share reform, the Group's share of net asset value in GSST has decreased by an amount of HK$52.2 million and was charged to the profit and loss account.

SEGMENTAL INFORMATION

Details of segmental information are set out in Note 5 to the financial statements.

REVIEW OF OPERATING RESULTS — YEAR ENDED 31 DECEMBER 2006 COMPARED TO YEAR ENDED 31 DECEMBER 2005

Turnover

Group's turnover increased by 41.7% to HK$3,140.4 million with details as highlighted in Chairman's Statement.

Cost of Sales

As the Group benefited from sales of higher value-added and higher margin products, better economy of scale and able to pass on increase in raw material costs to customers through increase in selling prices, cost of sales increased from HK$1,792.6 million in 2005 to HK$2,486.6 million in 2006, an increase of only 38.7% which fell behind the turnover growth of 41.7%.

Gross Profit

As a result of better performed cost of sales in 2006 over 2005, gross profit increased by 54.1% to HK$653.8 million in 2006 from HK$424.3 million in 2005. Gross margin on turnover also widened to 20.8% in 2006 from 19.1% in 2005.

Other Income

Other income increased by 88.2% to HK$97.1 million in 2006 from HK$51.6 million in 2005. This increase was primarily due to higher scrap sales and tooling

charges of HK$64.8 million and HK$10.1 million in 2006 respectively from HK$27.8 million and HK$6.3 million in 2005 respectively.

Higher PCB production volume as well as increase in raw copper prices explained for the higher scrap sales income in 2006 over 2005. Increase in tooling charges was due to more new projects as well as tooling charges on new Quick-Turn-Around business in 2006 over 2005.

Selling and distribution expenses

Selling and distribution expenses increased by 32.6% to HK$126.5 million in 2006 from HK$95.4 million in 2005. This increase was primarily due to higher employee expenses as a result of direct sales and marketing headcounts increase in front end region, such as North America, Europe and South East Asia for future business development as well as sales support headcounts increase in Group head office to support the ramping up of sales and customer service activities in 2006.

General and administrative expenses

To support the Group's rapid growth in businesses and turnover, Group's corporate head-office had also increased headcounts in its finance, legal and secretarial, IT, human resource and administration functions. General and administrative expenses, primarily due to increase in employee expenses, increased by 12.5% to HK$154.3 million in 2006 from HK$137.2 million in 2005.

Operating profit

As a result of better gross margin, better other income and better economy of scale in running our fixed expenses, such as selling and distribution expenses and general and administrative expenses in 2006, the Group's operating profit increased by 84.9% to HK$470.2 million in 2006 from HK$254.3 million in 2005. Group's operating margin also widened from 11.1% in 2005 to 15.0% in 2006.

Finance costs

Finance costs increased by 55.0% to HK$88.2 million in 2006 from HK$56.9 million in 2005. This increase was due to an increase in borrowings to fund our capital expenditure in capacities expansion of our DMC and Shanghai Meadville Electronics Co., Ltd. ("SME") production facilities. Total borrowings amounted to HK$1,775.3 million as at 31 December 2006 over HK$1,396.1 million as at 31 December 2005. A rise in interest rates also contributed to this increase in interest expenses.

Share of net profit of associated companies

Share of net profit of associated companies increased by 77.2% to HK$97.8 million in 2006 from HK$55.2 million in 2005, primarily due to increase in net profit of GSST and Suzhou Shengyi Sci. Tech Co., Ltd ("SSST").

Income tax expenses

Income tax expenses increased by 166.1% to HK$48.7 million in 2006 from HK$18.3 million in 2005. This increase was primarily due to an increase in tax expense in China, to HK$44.9 million in 2006 from HK$13.7 million in 2005.

This increase was primarily due to increased tax on profits from our two PRC operations, Dongguan Shengyi Electronics Ltd. ("SYE") and SME as a result of expiration of certain of their tax incentives. SYE income tax rate had been increased from 10% in 2005 to 18% in 2006, and SME from 0% in 2005 to 12% in 2006.

This decrease in tax efficiency was partly offset by profit generated by DMC which enjoyed the first year of full income tax exemption in 2006.

As a result, the Group's overall effective tax rate (income tax expenses as a percentage of profit before income tax) increased to 11.2% for the year ended 31 December 2006 from 7.1% for the year ended 31 December 2005.

Profit for the year

As a result of the foregoing, profit for the year increased by 60.4% to HK$384.9 million in 2006 from HK$239.9 million in 2005.