

Chairman's Statement

In the previous year, in line with the Group's strategy of investment diversification and enhancement in technology content of its products, the Group made a considerable achievements by reducing its risks arising from its past duly reliance on traditional labor-intensive electronics and electric processing industry and thereby laying a solid foundation for future profitability and business development.

Photomasks manufacturing department of the Group have successfully explored the market and leveraged its premium quality products to gain a public awareness in the industry. As photomask was a key instrument for mass production by foundries and the foundries were improved in terms of technology and production volume with the rapid growth in domestic electronic and semi-conductor industry, so the domestic demand for high-end photomasks is gradually increasing, the development of domestic semi-conductor market brings substantial opportunities for the photomasks departments of the Group.

In April 2006, the Group has completed the acquisition of Sino Stride, a company engaged in system integration solutions services. In light of the Group's commercial network in the domestic market, the Group will capitalize on the resources of Sino Stride to explore and develop more focus to provide intelligence information service for domestic users and improve the Group's future profitability.

For the traditional labor intensive electronic and electrical processing industry which are operated in Dong Guan, the manufacturing cost which was sustained under the adversely economic environments, Renminbi appreciation and domestic inflation are all factors causing manufacturing cost to be upswinging, meanwhile, there are much difficulties in enhancing sales prices as a result of market competition particularly with up surging increases in prices of raw materials. In addition to cost control and enhancement in product quality, the Group will strive to develop new principal products with stable demands in the market and reducing previous small batches products, enable sales to bring more stable factors and thus achieving better operation efficiency.

On behalf of the Board of Directors, I would like to express our sincere thanks to our customers, vendors, shareholders and business partners for their continuous support and would like to extend my gratitude to all management and staff for their dedication and contribution to the Group's endeavor of continuous improvement throughout the year.

Cao Zhong

Chairman

Hong Kong, 19 April 2007