

REPORT OF THE DIRECTORS

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 March 2007.

Principal Activities

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of investment holding and the manufacture and trading of printed circuit boards. There were no significant changes in the nature of the Group's principal activities during the year.

Results and Dividends

The Group's profit for the year ended 31 March 2007 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 27 to 82.

An interim dividend of HK4.0 cents per ordinary share was paid on 7 February 2007. The directors recommend the payment of a final dividend of HK3.0 cents per ordinary share in respect of the year to shareholders on the register of members on 7 September 2007. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the balance sheet.

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Summary Financial Information

A summary of the published results and assets, and liabilities of the Group for the last five financial years, as extracted from the audited financial statements, is set out below.

RESULTS	Year ended 31 March				
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
REVENUE	750,449	623,238	258,237	241,666	237,840
PROFIT/(LOSS) BEFORE TAX	163,354	130,175	(14,265)	(5,452)	3,315
Tax	(20,742)	(21,121)	–	–	–
PROFIT/(LOSS) FOR THE YEAR	142,612	109,054	(14,265)	(5,452)	3,315

Attributable to:

Equity holders of the Company	142,612	109,054	(14,265)	(5,452)	3,315
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ASSETS AND LIABILITIES	As at 31 March				
	2007 HK\$'000	2006 HK\$'000	2005 HK\$'000	2004 HK\$'000	2003 HK\$'000
TOTAL ASSETS	563,338	502,942	247,119	227,668	262,896
TOTAL LIABILITIES	(189,750)	(265,601)	(122,569)	(89,027)	(118,664)
	373,588	237,341	124,550	138,641	144,232

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Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Share Capital and Share Options

Details of movements in the Company's share capital and share options during the year are set out in notes 25 and 26 to the financial statements, respectively.

Pre-emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

Purchase, Redemption or Sale of Listed Securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 27(b) to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable Reserves

At 31 March 2007, the Company's reserves available for cash distribution and distribution in specie were HK\$121,280,000 (2006: HK\$99,343,000), of which HK\$14,418,000 has been proposed as a final dividend for the year. In addition, the Company's share premium account, in the amount of HK\$92,031,000 (2006: HK\$90,613,000), may be distributed in the form of fully paid bonus shares.

Charitable Contributions

During the year, the Group made charitable contributions totalling HK\$48,000.

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Major Suppliers and Customers

The percentages of the Group's purchases and sales attributable to major suppliers and customers are as follows:

- a. Percentage of purchases attributable to the:
 - Largest supplier 21%
 - Five largest suppliers 49%

- b. Percentage of sales attributable to the:
 - Largest customer 33%
 - Five largest customers 75%

Save as disclosed under the heading "Connected Transaction and Continuing Connected Transactions" below in this report, none of the directors of the Company, or any of their associates, or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest suppliers and customers.

Directors

The directors of the Company during the year and up to the date of this report were as follows:

Executive Directors:

Chan Sik Ming, Harry (*Chairman & Chief Executive Officer*)
Motofumi Tsumura
Hiroto Sasaki
Hiroyuki Kikuchi
Au-Yeung Wai Hung

Independent Non-Executive Directors:

Kohu Kashiwagi
Chan Yuk Tong
Li Chi Kwong

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Directors *(Continued)*

According to the Company's private act known as "The Juko Laboratories Holdings Limited Company Act 1990", which is an Act of the Company's former name of Juko Laboratories Holdings Limited when it was first established, the Chairman of the Company is not required to be subject to rotation in accordance with the bye-laws of the Company. However, in the spirit of good corporate governance practice, the existing Chairman of the Company, Mr. Chan Sik Ming, Harry has agreed to retire on a voluntary basis at least once every three years. He will also retire and, being eligible, will offer himself for re-election at the forthcoming annual general meeting.

In accordance with bye-law 99(A) of the Company's bye-laws, Mr. Hiroto Sasaki, Mr. Au-Yeung Wai Hung and Mr. Chan Yuk Tong will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting.

The Company has received annual confirmations of independence from Mr. Kohu Kashiwagi, Mr. Chan Yuk Tong and Dr. Li Chi Kwong and considers them to be independent.

Directors' Biographies

Biographical details of the directors of the Company are set out on pages 3 to 4 of the annual report.

Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' Remuneration

Directors' remuneration are determined by the Company's Remuneration Committee with reference to directors' duties, responsibilities and performance and the results of the Group.

Directors' Interests in Contracts

No director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the year.

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Directors' Interests and Short Positions in Shares and Underlying Shares

At 31 March 2007, the interests and short positions of the directors in the share capital and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions in ordinary shares of the Company:

Name of director	Directly beneficially owned	Beneficiary of a trust	Total number of shares held	Percentage of the Company's issued share capital
Chan Sik Ming, Harry	39,680,000	103,521,417 <i>(note)</i>	143,201,417	29.80
Au-Yeung Wai Hung	4,200,000	–	4,200,000	0.87
Hiroto Sasaki	2,950,000	–	2,950,000	0.61

Note: Chan Sik Ming, Harry, and his family are the objects of a discretionary trust which has appointed Earnwell Limited as its trustee. At the balance sheet date, Earnwell Limited held 103,521,417 shares representing approximately 21.54% of the issued share capital of the Company.

The interests of the directors in the share options of the Company are separately disclosed in note 26 to the financial statements.

Save as disclosed above, as at 31 March 2007, none of the directors had registered an interest or short position in the shares and underlying shares of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' Rights to Acquire Shares or Debentures

Save as disclosed in the share option scheme disclosures in note 26 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company or any of its subsidiaries a party to any arrangement to enable the directors to acquire such rights in any other body corporate.

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Substantial Shareholders' and Other Persons' Interests in Shares and Underlying Shares

At 31 March 2007, the following interests of 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Earnwell Limited	Trustee	103,521,417	21.54%
Daisho Denshi Co., Ltd.	Directly beneficially owned	50,000,000	10.40%

Save as disclosed above, as at 31 March 2007, no person, other than the directors of the Company, whose interests are set out in the section "Directors' Interests and Short Positions in Shares and Underlying Shares" above, had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Connected Transaction and Continuing Connected Transactions

During the year, the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Connected Transaction

During the year, the Group paid technical support fees of HK\$794,000 (2006: HK\$682,000) to Daisho Denshi Co., Ltd., which is a substantial shareholder of the Company, for the provision of technological advice on the manufacture of printed circuit boards.

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Connected Transaction and Continuing Connected Transactions *(Continued)*

Continuing Connected Transactions

During the year, the Group had continuing connected transactions with Daisho Denshi (H.K.) Limited, a subsidiary of Daisho Denshi Co., Ltd., for the sale of printed circuit boards amounting to approximately HK\$58 million (2006: approximately HK\$38 million) conducted in the ordinary and usual course of the Group's business.

Pursuant to the Company's special general meeting on 31 March 2004, an ordinary resolution was passed to approve the sales transactions with Daisho Denshi Co., Ltd. and its subsidiary (the "Daisho Denshi Group") and the maximum aggregate annual value for these sales transactions was set at HK\$132 million for each of the three financial years ended 31 March 2007.

The independent non-executive directors of the Company have reviewed the continuing connected transactions with the Daisho Denshi Group as set out above and have confirmed that these sales transactions have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms;
- (iii) in accordance with the terms of the relevant agreements governing these sales transactions on terms that were fair and reasonable and in the interests of the shareholders of the Company as a whole; and
- (iv) with an aggregate annual value of these sales transactions not exceeding HK\$132 million for the year ended 31 March 2007.

In the opinion of the directors of the Company, the continuing connected transactions during the year ended 31 March 2007 have been entered into in the manner stated above.

The auditors of the Company have reviewed, on a sample test basis, and confirmed that the continuing connected transactions with the Daisho Denshi Group during the year:

- (i) have been approved by the board of directors of the Company;
- (ii) have been entered into in accordance with the relevant agreements governing the transactions; and
- (iii) have not exceeded the annual cap of HK\$132 million for the year ended 31 March 2007.

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Connected Transaction and Continuing Connected Transactions *(Continued)*

Continuing Connected Transactions (Continued)

In addition to the above, on 1 December 2003, the Group entered into an agreement with a connected person for the provision of consultancy services to the Group in relation to the marketing and sale of printed circuit boards. Up to the termination of the agreement on 1 June 2006, consultancy fees of HK\$160,000 (2006: HK\$960,000) were paid during the year to the connected person who is a corporate entity in which a director and shareholder is a substantial shareholder and former director of the Company. Such consultancy fees were determined by mutual agreement. As at the balance sheet date, the connected person had ceased to be the substantial shareholder and director of the Company.

Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Remuneration Committee

The Company's Remuneration Committee was established in December 2005 to formulate and implement the remuneration policy relating to directors and employees of the Group.

The Remuneration Committee comprises two executive directors and three independent non-executive directors of the Company, namely, Mr. Chan Sik Ming, Harry, Mr. Au-Yeung Wai Hung, Mr. Kohu Kashiwagi, Mr. Chan Yuk Tong and Dr. Li Chi Kwong.

Director's Interest in a Competing Business

During the year and up to the date of this report, the following director is considered to have an interest in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules, as set out below:

Mr. Hiroto Sasaki is also a director of Daisho Denshi Co., Ltd., which is also involved in the manufacture and trading of printed circuit boards.

As the board of directors of the Company is independent from the board of directors of Daisho Denshi Co., Ltd. and the above director does not control the board of the Company, the Group is capable of carrying on its businesses independently of, and at arm's length from, the business of Daisho Denshi Co., Ltd.



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Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD

Chan Sik Ming, Harry

Chairman

Hong Kong

16 July 2007