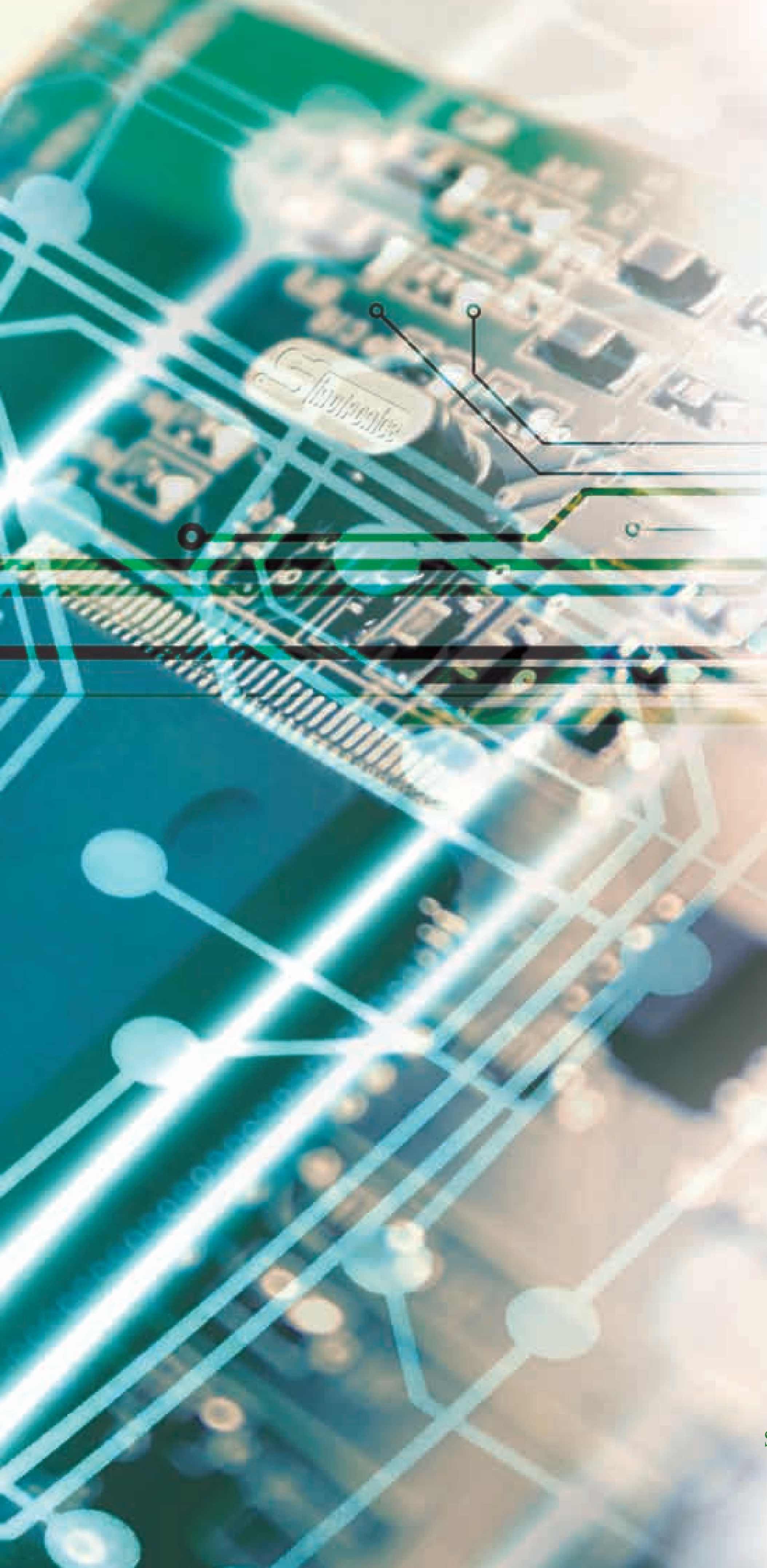

ANNUAL REPORT 08

SINOTRONICS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1195

Contents

Corporate Information

Directors

Lin Wan Xin *(appointed as Chairman on 28 October 2008)*
Xiang Song *(Chief Executive Officer)*
Lin Wan Qaing
Liu Zhao Cai *(resigned as Chairman on 28 October 2008)*
Hu Zhao Rui
Tong Yiu On
Pan Chang Chi*
Cai Xun Shan*
Cheung Chuen*

* *Independent Non-executive Director*

Qualified Accountant & Company Secretary

Tong Yiu On, *CPA*

Authorised Representatives

Lin Wan Qaing
Tong Yiu On, *CPA*

Audit Committee

Pan Chang Chi
Cai Xun Shan
Cheung Chuen

Remuneration Committee

Lin Wan Qaing
Pan Chang Chi
Cai Xun Shan

Legal Adviser for Cayman Islands Law

Conyers Dill Pearman

Principal Bankers

Bank of Communications
Bank of China
The China Construction Bank
Xiamen International Bank
Standard Chartered Bank

Auditors

KPMG
8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

Investor Relations Consultant

Elite Investor Relations

Registered Office

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Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head Office and Principal Place of Business

Room 1805, 18th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Principal Share Registrar and Transfer Office

Butterfield Fund Services (Cayman) Limited
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands

Hong Kong Branch Registrar and Transfer Office

Hong Kong Registrars Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Trading Code on the Stock Exchange of Hong Kong Limited

1195

Website

www.sinotronics.com.cn

Financial Highlights

- Turnover for the year descended to approximately RMB564.3 million.
- Gross profit margin for the year was approximately 30.5%.
- Operating profit for the year was approximately RMB117.6 million.
- Profit attributable to equity shareholders for the year was approximately RMB11.2 million.
- Net profit margin for the year was approximately 1.98%.
- Earnings per share was approximately RMB2 cents.
- Total equity reached RMB926.1 million.

Chairman's Statement

Dear Shareholders,

On behalf of the board of directors of Sinotronics Holdings Limited ("Sinotronics" or the "Company"), I am pleased to present the financial report of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 30 June 2008.

During the year ended 30 June 2008, the global economic downturn brought about a challenging environment to the overall electronics industry. As a result, the demand for electronic products and accessories were adversely impacted. Leveraging on the Group's solid foundation in the printed circuit boards ("PCBs") business, as well as leadership from an experienced management team, we were able to reduce the adverse impact from the electronic market. The turnover was RMB564,317,000 for the year. Profit attributable to equity shareholders of the Group was RMB11,179,000, and basic earnings per share was RMB2 cents.

The Group strives to maintain its principle of providing customers with a high quality one-stop manufacturing service. Despite impacts from the global economic turmoil, the management is putting extra effort to cope with the market challenges, with an aim to successfully achieve the Group's objectives. Further cost control measures have been implemented, together with streamlining of day-to-day business operations and production processes. On the other hand, the management is proactively seeking to improve the quality of our service by analysing feedback received from clients, strengthening core technologies and improving marketing initiatives.

Looking forward, rigid printed circuit boards ("rigid PCBs") will continue to remain as our core business. With its solid foundation and promising results in China, we will strive to further develop the rigid PCBs market in order to enhance our future profitability. The flexible printed circuit boards ("FPCBs") business is an emerging market with high potential, while printed circuit boards assembly ("PCBA") and surface mounting technology ("SMT") processing services will further contribute to our one-stop EMS solution. Though the global economic outlook is uncertain, we have every confidence that our competitive advantages will lead us to a bright and promising future.

Finally, I would like to present my heartfelt thanks to the board of directors, management and staff for their diligent work in the past year. I would also like to express my greatest gratitude to our customers, suppliers, business partners and shareholders for their continuous support and trust. I will continue to put in all efforts to lead the management and staff in driving the development of our business, so as to deliver enhanced shareholders' value.

Lin Wan Xin
Chairman

Hong Kong, 28 October 2008

Results

During the year ended 30 June 2008, turnover of the Group amounted to RMB564,317,000 (2007: RMB695,936,000), representing a decrease of 18.9% as compared to the corresponding period last year. The decrease in turnover was mainly attributable to the downturn in demand for consumer electronic products, leading to the decrease in sales of flexible printed circuit boards and provision of printed circuit boards assembly services.

During the year ended 30 June 2008, the Group's gross profit and operating profit amounted to RMB171,969,000 (2007: RMB219,044,000) and RMB117,603,000 (2007: RMB191,917,000) respectively. The decrease in overall gross profit margin was due to the increase in raw material price and product mix. The decrease in operating profit was mainly due to the increase in staff cost, exchange loss, impairment loss of trade receivable and loss on change in fair value of buildings held for own use.

The profit attributable to equity shareholders of the Company and basic earning per share were RMB11,179,000 (2007: RMB115,085,000) and RMB2 cents (2007: RMB21 cents) respectively.

Loss arising from the changes in fair value of the derivative financial instruments amounted to approximately RMB60,334,000 (2007: RMB38,959,000). Excluding such loss, net profit attributable to equity shareholders during the year ended 30 June 2008 would be RMB71,513,000 (2007: RMB154,044,000), representing a decrease of 53.6% over the same period last year.

Business Review

The Group is principally engaged in the manufacturing and sale of rigid printed circuit boards ("rigid PCBs") and flexible printed circuit boards ("FPCBs"), as well as providing printed circuit boards assembly ("PCBA") and surface mounting technology ("SMT") processing services. Its products have a broad range of applications in items such as mobile communication devices, consumer digital devices, automotive and medical devices.

During the year ended 30 June 2008, turnover of the Group decreased 18.9% to RMB564,317,000. Turnover attributable to the rigid PCBs segment remained stable with a slight decrease of 6.0%, while revenue attributable to the FPCBs segment and the PCBA and SMT processing services segment also recorded a decline of 22.4%, 55.5% and 2.0% respectively as compared to the corresponding period in 2007. The rigid PCBs segment continued to be the Group's core business. Despite the challenging market conditions, the Group was able to maintain continuous orders from clients due to its reputation for products with high quality. Being a leading enterprise in the Electronic Manufacturing Services ("EMS") industry, and the largest producer in Fujian province for rigid PCBs, the Group enjoys a strong pricing power and hence performance of this segment was relatively unaffected. However, as the production capacity for rigid PCBs has reached full utilization, turnover contributed by the rigid PCBs business remained relatively stable.

The Group's FPCBs customers are mainly international electronics product manufacturers from countries such as USA, Korea and Japan. Due to the deteriorating global economic condition and the resulting downturn in demand for electronic products, the FPCBs business was adversely affected. In February and March 2008, the decreasing demand lowered the average selling prices of the Group's products, leading to a decrease in turnover and operating profit in the FPCBs segment for the year. However, a moderate upturn in demand was recorded towards the end of June 2008, signaling the potential start of an upward trend. In addition, the Group is working to further diversify expand the applications of its FPCB products, in order to penetrate a wider market.

During the year ended 30 June 2008, the Group strategically reduced its provision of PCBA and SMT processing services. The management believes that as PCBA and SMT processing services generate a relatively lower margin, the reallocation of capital resources can be more efficiently used for other segments, also helping to diversify risk.

Management Discussion and Analysis

Segmental Information

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 it is more relevant to the Group's internal financial reporting.

Rigid PCBs

During the year ended 30 June 2008, sales of rigid PCBs amounted to RMB367,599,000 (2007: RMB391,025,000), representing approximately 65.1% of the Group's total turnover. Operating profit of this business segment was RMB125,388,000 (2007: RMB159,549,000), representing a decrease of 21.4% as compared to the corresponding period last year.

FPCBs

Sales of FPCBs was approximately RMB116,524,000 (2007: RMB150,249,000), which accounted for approximately 20.7% of the Group's total turnover during the year ended 30 June 2008. Operating profit reached approximately RMB8,120,000 (2007: RMB30,614,000), representing a decline of 73.5% as compared to the corresponding period last year. The decline in operating profit in the FPCB sector was mainly due to the lower demand from telecommunication product manufacturers which is due to the deteriorating global economic climate.

PCBA

Turnover contributed by PCBA services during the year ended 30 June 2008 recorded approximately RMB59,481,000 (2007: RMB133,536,000), representing 10.5% of the Group's total turnover. Operating loss was approximately RMB1,542,000 (2007: operating profit RMB14,205,000).

SMT processing services

Sales from SMT processing services amounted to approximately RMB20,713,000 (2007: RMB21,126,000), accounting for 3.7% of the Group's total turnover. Operating loss was RMB537,000 (2007: operating profit RMB2,247,000).

Geographically, sales within the PRC (excluding Hong Kong and Taiwan) remained as the largest segment, generating 78.8% (2007: 81.2%) of the Group's total turnover. About 6.6% (2007: 7.0%) and 7.1% (2007: 6.0%) were contributed by sales to Australia and Hong Kong for the year ended 30 June 2008 respectively. The balance of approximately 7.5% of the Group's turnover (2007: 5.8%) was taken up by Germany, Malaysia, USA and other countries or regions.

Manufacturing Facilities

Fuqing Plant, Fujian Province

The manufacturing facility in Fuqing city, Fujian province focuses on the production of rigid PCBs, including double-sided and multilayer PCBs. It covers an area of 55 Chinese acres, or about 36,669 square meters. During the year ended 30 June 2008, the Group received continuous orders from clients. However, the Fuqing plant has reached full production capacity since 2006. The Group purchased a plot of land in 2007 covering 33 Chinese acres, or about 22,001 square meters, for expansion. The transfer of land use rights from local farmers was completed in the same year. However, as the Group would like to upgrade its production capacity prudently, and maintain its current flexible business model of production at a low volume with higher margins, it is expected that the capacity expansion will be completed in 2009.

Shuangxiang Electronics ("Mawei Plant"), Fujian Province

The production plant located in Mawei, Fuzhou city, Fujian province, is engaged in PCBA and SMT processing services. In September 2007, the Group moved from the previous rental site to a self-owned production plant with a total of 8 SMT productions lines. The number of production lines is expected to reach 12–14 lines within 2 to 3 years. During the year ended 30 June 2008, the management implemented various measures to streamline the production process and improve cost-control. Furthermore, with an aim to enhance overall profitability, the management has strategically reduced its capital allocation in PCBA and SMT processing services to higher margin segments.

Gemini Electronics ("Huizhou Plant"), Guangdong Province

The manufacturing facility in Huizhou city, Guangdong Province is engaged in the production of FPCBs. The site covers 70 Chinese acres, or approximately 46,669 square meters as of June 2008. During the year ended 30 June 2008, the FPCBs business was affected by the slowing demand for telecommunications products. In order to maintain its competitiveness in this segment, the management has implemented cost control initiatives, as well as strived to develop a more diversified range of FPCB products to sustain future growth.

Prospect

The global economic downturn brings a great challenge to the electronics industry. Being a leading one-stop EMS provider in China, the Group is well positioned to cope with the dynamically changing market conditions. Building upon its strong foundation and core competencies of high product quality, a strong and diversified customer base and products with wide applications, the rigid PCBs segment will remain as the Group's core business.

The Group sees the FPCBs business as a segment with immense growth potential. The management is actively working to diversify the applications of FPCB products in order to penetrate a wider market to generate growth. Towards the end of June 2008, the demand for FPCBs saw a rising trend, and management believes the business momentum from this segment will partially resume for the second half of 2008. For PCBA and SMT processing services, a flexible operation model will be implemented to ensure the most efficient allocation of capital resources.

Leveraging on the Group's technical expertise and solid experience in the PCB industry, the Group is well-prepared for market variations and is endeavored to explore opportunities in maximizing returns for its shareholders.

Liquidity and Financial Resources and Capital Structure

For the year ended 30 June 2008, the Group's working capital requirement was principally financed by its internal resources, banking facilities and derivative financial instruments.

As at 30 June 2008, the Group had cash and cash equivalents, net current assets and total assets less current liabilities of RMB880,366,000 (2007: RMB728,432,000), RMB542,889,000 (2007: RMB635,815,000) and RMB979,299,000 (2007: RMB1,026,745,000) respectively.

As at 30 June 2008, the Group had total bank borrowings (excluding obligations under finance leases) of RMB283,822,000 (2007: RMB283,037,000), included in these utilized bank loans, RMB253,822,000 was short term and RMB30,000,000 was long term. All of the utilized bank loans were secured by either corporate guarantees given by the Company, equity interest in operating subsidiaries and, interest in leasehold land for own use under operating lease and buildings held for own use given by subsidiaries. Besides, the Group had obligations under finance leases of RMB3,101,000 (2007: RMB6,478,000) denominated in Hong Kong dollars.

At 30 June 2008, the Company has breached one of the covenants of a bank loan with carrying amount of RMB99,022,000. Included in the amount utilised is RMB60,254,000 which, in accordance with the terms of the banking facility, was scheduled to be repaid after one year from the balance sheet date, but is classified as current liabilities in the consolidated and company balance sheets as at 30 June 2008. The directors believe that the early repayment, if required, does not materially affect the Group's liquidity position as at 30 June 2008.

For the year ended 30 June 2008, the holder of the convertible bonds of the Company (the "Convertible Bonds") exercised the subscription rights attached to the Convertible Bonds for 2,000,000 ordinary shares of the Company at the price of HK$0.9919 per share and the shares were allotted and issued.

Management Discussion and Analysis

The Group had entered into two derivative financial instruments (the "Instruments") in February and April 2007 with maturity in 2012 with a commercial bank, Deutsche Bank AG ("DG"), under which total upfront payments of approximately RMB113,490,000 were received at the inception of the Instruments. As at 30 June 2008, the loss on change in fair value of the Instruments recognised in Consolidated Income Statement was RMB60,334,000.

On 12 December 2007, Mr Lin Wan Qiang, the controlling shareholder (the "CS") of the Company, had executed a deed of indemnity (the "Deed") providing interest-free and unsecured financial assistance to the Company in respect of its interest payment obligations in connection with the Instruments. In pursuant to the Deed, the CS agreed to perform the payment obligations of the Company under the Instruments as from the date of the Deed to the extent as follows:

(i) in respect of each payment period, payment by the CS will be limited to the amount payable by the Company to DG after netting off the amount payable by DG to the Company, if any;

(ii) in case the Company receives amount from DG after netting off the amount payable by it to DG and the amount payable by DG, the Company will keep such amount received from DG; and

(iii) at the maturity date, the Company shall reimburse the CS such amount of sums paid by the CS to the Company under the Deed to the extent of the amount of the cash inflow and for the avoidance of doubt if the cash inflow exceeds the aggregate amount of sums actually paid by the CS to the Company under the Deed, the Company will only be required to reimburse the CS such amount equivalent to the sum actually paid by the CS to the Company under the Deed.

The CS agrees to indemnify the Company against all liabilities, claims, damages, costs and expenses which the Company may suffer by reason of his failure in performance of the said obligations. For the year ended 30 June 2008, aggregate payments by the CS amounted to RMB20,072,000.

The total bank borrowings and structural financial instruments of the Group were mainly for business expansion, capital expenditure and working capital purposes and were mainly denominated in Renminbi, Hong Kong dollars and United States dollars.

Total equity attributable to equity shareholders of the Company as at 30 June 2008 increased by RMB39,346,000 to RMB926,133,000 (2007: RMB886,787,000). The gearing ratio (calculated as the ratio of current liabilities plus non-current liabilities: equity shareholders of the Company) of the Group as at 30 June 2008 was approximately 0.69 (2007: 0.68).

Significant Investments

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group had no other significant investment held during the year ended 30 June 2008.

Acquisition and Disposal of Subsidiaries and Associated Companies

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", during the year ended 30 June 2008, the Group had no material acquisition and disposal of subsidiaries and affiliated companies.

Employment Information

As at 30 June 2008, the Group employed a total of 1,751 (2007: 1,917) employees. It is a policy of the Group to review its employee's pay levels and performance bonus system regularly to ensure that the remuneration policy is competitive within the relevant industry. During the year ended 30 June 2008, the employment cost (including Directors' emoluments) amounted to approximately RMB49,636,000. In order to align the interests of staffs, Directors and consultants with the Group, share options may be granted to staffs, Directors and consultants under the Company's 2003 share options scheme ("2003 Scheme"). During the year ended 30 June 2008, no share option has been granted to the Directors and staffs under the 2003 Scheme and there are 12,000,000 share options outstanding under the 2003 Scheme as at 30 June 2008.

Charges on Group Assets

As at 30 June 2008, a bank loan of US$15,000,000 (equivalent to RMB102,852,000) granted to the Company was secured by its entire equity interest in Superford, Tempest, Winrise and Herowin (the "BVI subsidiaries"). The BVI subsidiaries are the immediate holding companies of Fuqiang, Gemini, Shuangxiang and Haichuang, respectively (the "PRC subsidiaries"). The PRC subsidiaries are the operating subsidiaries of the Group. Total net asset value of the BVI and PRC subsidiaries as at 30 June 2008 was approximately RMB822,590,000.

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 2008, the net book value of machineries held under finance leases of the Group was RMB28,028,000 (2007: RMB31,697,000).

As at 30 June 2008, certain interests in leasehold land held for own use under operating lease and buildings held for own use of RMB169,907,000 (2007: RMB8,199,000) were pledged to banks for bank loans totalling RMB77,000,000 (2007: RMB42,000,000) granted to the Group.

Future Plans for Material Investments and Expected Sources of Funding

Save as disclosed elsewhere under the section headed "Management Discussion and Analysis", the Group had no future plans for material investments as at 30 June 2008.

The management will continue to monitor the industry and review its business expansion plans regularly, so as to take necessary measures in the Group's best interests.

Exposure to Fluctuations in Exchange Rates

The Group has foreign currency risk as certain financial assets and liabilities are denominated in foreign currencies principally in United States 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. The Group did not employ any financial instruments for hedging purposes.

Capital Commitment

As at 30 June 2008, in respect of capital expenditures, the Group had contracted for but not provided in and authorized but not contract for capital commitment in the financial statements amounted to approximately RMB35,393,000 and RMB52,978,000 respectively.

Contingent Liabilities

As at 30 June 2008, the Group did not have any material contingent liabilities.

Biographical Information of Directors and Senior Management

Directors

Executive Directors

Mr. Lin Wan Xin (林萬新), aged 54, is an executive director and the chairman of the Company. Mr. Lin is also the chairman and executive president of Fujian Fuqiang Delicate Circuit Plate Co., Ltd. Mr. Lin is a cousin of Mr. Lin Wan Qaing, an executive director of the Company. He graduated from Fujian Normal University (福建師範大學) and has gained extensive administration experience as the production director, administration director and vice-president of the general administration department of Fujian Normal University (福建師範大學). Mr. Lin is currently a member of the 11th and 12th Political Consultative Standing Committee of Fuqing City in Fujian Province and a council member of the Printed Circuit Industry Association respectively. He joined the Group in March 1998 and was one of the founding members. On 28 October 2008, he has been appointed as the chairman of the Company in place of Mr. Liu Zhao Cai.

Mr. Xiang Song (項松), aged 37, is an executive director and the chief executive officer of the Company. Mr. Xiang graduated with a bachelor's degree in mechanical engineering from the University of Science and Technology of Beijing (北京科技大學) in 1993. Prior to joining the Group in July 1998, Mr. Xiang had gained substantial management experience when he served as the plant general manager and engineer of Guangzhou Printronics Circuit Corp. (廣州普林電路公司). He has more than 13 years of management experience in the PCB industry. Mr. Xiang was appointed as an executive director in September 2000 and he is principally responsible for the supervision of the Group's technology, production and quality control.

Mr. Lin Wan Qaing (林萬強), aged 54, is the founder of the Group and an executive director of the Company. He is also the compliance officer of the Group. Mr. Lin is a cousin of Mr. Lin Wan Xin, an executive director and the chairman of the Company. Prior to founding the Group in March 1996, Mr. Lin had gained more than 16 years of entrepreneurial and management experience. Mr. Lin is currently the executive of the standing committee of Young Entrepreneur Association of Fujian Province (福建省青年企業家協會), the vice-president of Electronics Industry Branch of Fujian Province of China International Commerce Association (中國國際商會福建電子行業商會) and the vice-president of High Technology Industry Chamber of Fujian Province (福建省高科技商會).

Mr. Liu Zhao Cai (劉兆才), aged 66, is an executive director of the Company. Mr. Liu graduated from the Xidian University (西安電子科技大學). Mr. Liu was the president of Fujian Province Science and Technology Commission (福建省科學技術委員會) in 1998 for a term of three years, and the president of the 36th research institute of the Department of Electronics Industry (電子工業部) of the PRC during the period from 1987 to 1995. Mr. Liu became an independent non-executive director on 8 May 2001 and was redesignated as an executive director on 22 April 2002. He was also the chairman of the Company from 1 January 2007 to 28 October 2008. Mr. Liu is responsible for overall strategic planning of the Group.

Mr. Hu Zhao Rui (胡兆瑞), aged 51, is an executive director of the Company. Mr. Hu is a director of Fuqiang, a subsidiary of the Company. Mr. Hu is responsible for the daily financial management of the Company. He graduated from Fuzhou Technical Institute (福州工業學校), majoring in finance and is a certified public accountant in the PRC. Prior to joining the Company and its group companies in June 1998, he worked as the financial manager of several companies including Fujian Minjiang Shipping Company (福建省閩江航運總公司) and Fujian Fuqing Rongqiao Wharf Co., Ltd. (福建福清融僑碼頭港務有限公司), Fujiang Mingjiang Wu Yi Cement Transportation Company Limited (福建閩江武夷散裝水泥聯運公司) and Fujiang Hong Feng Investment Development Company Limited (福建鴻豐投資發展有限公司). Mr. Hu has gained more than 22 years' experience in accounting and financial management.

Mr. Tong Yiu On (唐耀安), aged 42, is an executive director, qualified accountant and company secretary of the Company. He is responsible for the financial reporting and management and regulatory compliance of the Company. He is a certified public accountant of the Hong Kong Institute of Certified Public Accountants. Prior to joining the Group in September 2000, Mr. Tong was the financial controller of a wholly owned subsidiary of a Hong Kong listed company, and has gained 9 years of experience from an international accounting firm and a wholly owned subsidiary of a company listed on the Australia stock exchange in auditing and financial management for various industries.

Independent Non-executive Directors

Mr. Pan Chang Chi (潘昌馳), aged 56, is an independent non-executive director of the Company. Mr. Pan has had the experience as a senior economist. He graduated from Xiamen University (廈門大學) in1998 with a master's degree in law. He has extensive experience in financial management while working as a senior economist in the Fuqing branch of the Bank of China. He is currently employed by Fujian International Corporation Limited (福建省國際投資有限公司). He has been appointed as an independent non-executive director of the Company since May 2001.

Mr. Cai Xun Shan (蔡訓善), aged 66, is an independent non-executive director of the Company. He studied in the Astronomy and Geography Department (天文大地系) of the Surveying Institution of the People's Liberation Army of the PRC (中國人民解放軍測繪學院) and obtained his graduation certificate in 1962. He was appointed as the deputy manager of the Electronics Industrial Company of Fuzhou City (福州市電子工業公司) in 1984. Mr. Cai obtained a certificate from the Fujian Province Human Resources Bureau (福建省人事局) in 1989 certifying that Mr. Cai is qualified to be appointed as an economist. On 23 May 1997, Mr. Cai was appointed as the Fuzhou Municipal People's Government's deputy secretary and officer of its Beijing representative office (福州市人民政府副秘書長兼駐北京辦事處主任). He has been appointed as an independent non-executive director of the Company since December 2002.

Mr. Cheung Chuen (張全), aged 34, is an independent non-executive director of the Company. He is a certified public accountant practicing in the United States of America and Hong Kong. Mr. Cheung graduated from Hong Kong Shue Yan University in 1999 with majoring in accounting and obtained a master degree in professional accounting from the Hong Kong Polytechnic University in 2004. He is a member of the American Institute of Certified Public Accountants and an associate member of the Hong Kong Institute of Certified Public Accountants. Mr. Cheung has over the years gained extensive experience in accounting and auditing. He has been appointed as an independent non-executive director of the Company since September 2004. Mr. Cheung currently is an independent non-executive director of Broad Intelligence International Pharmaceutical Holdings Limited, a listed company in Hong Kong.

Senior Management

Mr. Li Fei (李飛), aged 51, the chairman of Gemini Electronics (Huizhou) Co. Ltd, with tertiary education qualification. Prior to joining the Group, Mr. Li worked as senior executive in production and sales department in a PRC listed company. Mr. Li joined the Group in 2002, and has been appointed as chairman of Gemini Electronics (Huizhou) Co. Ltd in early 2004.

Mr. Li Jia Quan (李加全), aged 34, is the chief engineer of Gemini Electronics (Huizhou) Co. Ltd, and he is mainly responsible for the aspects in technology, research and development. He graduated from Chongqing University (重慶大學) majoring in Material Science and Engineering. Prior to joining the Group in 2005, Mr. Li worked as senior executive in a Hong Kong listed company which focuses on flexible printed circuit boards production, and therefore has accumulated over 11 years' manufacturing and managerial experience in flexible printed circuit boards industry.

Mr. Wen Song Tang (文松堂), aged 35, is the director and financial manager of Gemini Electronics (Huizhou) Co. Ltd. He graduated from South-Central University For Nationalities (中南民族大學), majoring in Accountancy, and obtained a bachelor degree in Economics. Mr. Wen had worked in financial department of Guangdong Province Zhanjiang Farming (廣東省湛江農墾集團). He joined the Group in 2001 and has been assigned by the Group to Gemini Electronics (Huizhou) Co. Ltd in early 2004.

Biographical Information of Directors and Senior Management

Mr. Lin Wei Sheng (林偉生), aged 41, is the chief operation officer of the Group. Mr. Lin graduated from the Electronics and Information Engineering Department of Huazhong University of Science and Technology (華中科技大學) with a bachelor degree in engineering and obtained a Master of Business Administration from Canada Kingston College (加拿大京士頓學院). He worked in Fujian Province People's Government (福建省人民政府), and was responsible for the planning and management of key project's investment and working process. Mr. Lin has accumulated 10 years managerial experience in administration and engineering. Prior to joining the Group, Mr. Lin worked as engineer and technical supervisor in Canada ATI Technology INC and STIM Canada INC, mainly responsible for quality control of electronic products; he has extensive knowledge and experience in electronic industry. Mr. Lin has been appointed as the chief operation officer of the Group in 2006.

Mr. Jiang Wei Tao (江偉濤), aged 38, is the chairman of Shuangxiang (Fujian) Electronics Limited. He graduated from Fuzhou University (福州大學) and worked as marketing manager in Fujian Fuhui Jewelry (福建福輝珠寶). He joined the Group in 1996 as the regional manager in marketing department of Fuqiang and accumulated extensive managerial experience.

The Group is committed to statutory and regulatory corporate governance standards and adherence to the principles of corporate governance emphasizing accountability, transparency, independence, fairness and responsibility.

The Group has complied with the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 30 June 2008, except the following major deviations:

Code Provision A.4.1

This code stipulates that non-executive directors should be appointed for a specific term and subject to re-election.

All independent non-executive directors of the Company are not appointed for a specific term until 1 January 2008. Each of the independent non-executive directors has entered into an appointment letter with the Company for a term of one year commencing from 1 January 2008 and is subject to retirement by rotation and offers himself for re-election in accordance with the articles of association of the Company.

Code Provision E.1.2

According to the code provision E.1.2 of the CG Code, the chairman of the board should attend, and the chairmen of the audit and remuneration committees should be available to answer questions at the annual general meeting of the Company.

Mr. Liu Zhao Cai, the former chairman of the Company who resigned on 28 October 2008, and Mr. Lin Wan Qaing, the chairman of the remuneration committee were unable to attend the annual general meeting of the Company held on 21 December 2007 in person, but they have already delegated one of the executive directors of the Company to chair the meeting and answer questions at the annual general meeting on their behalf.

A. Securities Transactions by Directors

The Company has adopted the Model Code set out in Appendix 10 of the Listing Rules (the "Model Code") as its own code of conduct regarding securities transactions by the directors of the Company (the "Directors").

Having made specific enquiries of all Directors, the Company confirmed that all Directors have complied with the required standard set out in the Model Code throughout the year ended 30 June 2008.

B. Board of Directors

1. Composition of the Board of Directors

As at 30 June 2008, the Board consisted of six executive Directors, namely Mr. Lin Wan Xin, Mr. Xiang Song, Mr. Lin Wan Qaing, Mr. Liu Zhao Cai, Mr. Hu Zhao Rui and Mr. Tong Yiu On, and three independent non-executive Directors, namely Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen. Each of Directors' respective biographical details is set out in the section headed "Biographical information of directors and senior management" of this annual report.

The composition of the Board is well balanced with each Director having sound knowledge, experience and/or expertise relevant to the business of the Group. To the best knowledge of the Company, save as disclosed in the section headed "Biographical information of directors and senior management" of this annual report, there is no financial, business, family or other material/relevant relationship among members of the Board (including the Chairman and the Chief Executive Officer).

2. Functions of the Board of Directors

The Board is responsible for the oversight of the Company's business and affairs with the objective of enhancing shareholder value. The Board also makes decisions on matters such as approving the annual results and interim results, notifiable and connected transactions, appointment and re-appointment of directors, declaring dividend and adopting accounting policies, etc. Details of the experience and qualifications of Directors are set out in the section headed "Biographical information of directors and senior management" in this annual report.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's businesses to the executive Directors and the management. When the Board delegates aspects of its management and administration functions to the management, it has given clear directions as to the powers of the management, in particular, with respect to the circumstances where the management shall report back and obtain prior approval from the Board before making decisions or entering into any commitments on behalf of the Company.

3. Board Meetings and Board Practices

During the year ended 30 June 2008, the Board conducts nine meetings a year and the Board will meet on other occasions when a board-level decision on a particulars matter is required. The attendance records of those meetings held are set out below:

Directors' Attendance at Board Meetings	No. of attendance
Executive Directors	
Mr. Lin Wan Xin *(appointed as Executive Director and Chairman on 24 October 2007 and 28 October 2008 respectively)*	2/3
Mr. Xiang Song *(Chief Executive Officer)*	7/9
Mr. Lin Wan Qaing	7/9
Mr. Liu Zhao Cai *(resigned as Chairman on 28 October 2008)*	9/9
Mr. Hu Zhao Rui	8/9
Mr. Tong Yiu On	9/9
Independent Non-executive Directors	
Mr. Pan Chang Chi	3/9
Mr. Cai Xun Shan	2/9
Mr. Cheung Chuen	2/9

The Directors will receive details of agenda items for decision and minutes of committee meetings in advance of each Board meeting. The company secretary is responsible for distributing detailed documents to Directors prior to the Board meetings to ensure that the Directors are able to make informed decisions regarding the matters discussed in the meetings. The company secretary is also responsible for ensuring the procedures of the Board meetings are observed and providing to the Board opinions on matters in relation to the compliance with the procedures of the Board meetings.

4. Independent Non-executive Directors

In compliance with Rule 3.10(1) of the Listing Rules, there are three independent non-executive Directors representing over one-third of the Board. Among the three independent non-executive Directors, one of them have appropriate professional qualification in accounting or relating financial management expertise as required by Rule 3.10(2) of the Listing Rules.

The independent non-executive Directors bring independent judgment on issues of strategy, performance and risk. The Company has received from each of the independent non-executive Directors written confirmations of their independence pursuant to Rule 3.13 of the Listing Rules. Based upon the said confirmations, the Board considers that all the independent non-executive Directors are independent.

5. Chairman and Chief Executive Officer

During the year ended 30 June 2008, the roles of the Chairman and Chief Executive Officer are performed by Mr. Liu Zhao Cai, who resigned as Chairman on 28 October 2008, and Mr. Xiang Song respectively. This segregation ensures a clear distinction between the Chairman's and the Chief Executive Officer's responsibilities which allows a balance of power between the Board and the management of the Group, and ensures their independence and accountability.

On 28 October 2008, Mr. Liu Zhao Cai resigned as the Chairman of the Company due to personal reason, but remains as an executive Director, and Mr. Lin Wan Xin, an executive Director, has been appointed as the Chairman of the Company in place of Mr. Liu on the same date.

6. Appointment, Re-election and Removal of Directors

According to the articles of association of the Company, one-third of the Directors are required to retire from office at each annual general meeting, provided that every Director shall be subject to retirement by rotation at least once in every three years.

According to the code provision A.4.1 of the CG Code, non-executive Directors should be appointed for a specific term of service. Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year commencing from 1 January 2008 and is subject to retirement by rotation and offers himself for re-election in accordance with the articles of association of the Company.

7. Nomination of Directors

According to recommended best practices A.4.4 of the CG Code, the listed issuers are recommended to set up a nomination committee with a majority of the members thereof being independent non-executive directors. As the Board considers that may take up by the Board members, therefore, the Company has not established a nomination committee. The Board is responsible for selecting and recommending candidates for directorship, which based on assessment of their professional qualifications and experience and also responsible for determining the independence of each independent non-executive Director. During the year ended 30 June 2008, the Board has assessed the independence of the independent non-executive Directors and selected Mr. Lin Wan Xin being the executive Director.

C. Board Committee

1. Remuneration Committee

The Company established a remuneration committee in November 2005 with written terms of reference no less exacting terms than the CG Code. The remuneration committee is responsible for advising the Board on the remuneration policy and framework of the Directors and senior management, as well as review and determine the remuneration of Directors and senior management, including benefits in kinds, pension rights and compensation payments, with reference to the Company's objectives from time to time.

During the year ended 30 June 2008, the remuneration committee consisted of three members, comprising one executive Director, Mr. Lin Wan Qaing, and two independent non-executive Directors, Mr. Pan Chang Chi and Mr. Cai Xun Shan. Mr. Lin Wan Qaing is the chairman of the remuneration committee. During the year, two meetings were held to review the remuneration package of the Board and the senior management, and discuss the remuneration package of the newly appointed Director. The attendance records of the remuneration committee meetings held are set out below:

Directors' Attendance at Remuneration Committee Meetings	No. of attendance
Mr. Lin Wan Qaing	2/2
Mr. Pan Chang Chi	2/2
Mr. Cai Xun Shan	2/2

2. Audit Committee

The Company established an audit committee in May 2001 with written terms of reference revised to substantially the same as the provision as set out in the CG Code. The audit committee acts as an important link between the Board and the Company's auditors in matters within the scope of the Group's audit. The duties of the audit committee are to review and discuss on the effectiveness of the external audit and risk evaluation of the Company, as well as the Company's annual report and accounts, interim reports and to provide advice and comments to the Board. The audit committee is also responsible for reviewing and supervising the Group's financial reporting and internal control. The audit committee has reviewed the annual consolidated results of the Group for the year ended 30 June 2008.

During the year ended 30 June 2008, the audit committee consisted of three members and they are all the independent non-executive Directors, namely Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen. Mr. Pan Chang Chi is the chairman of the audit committee. During the year, two meetings were held to review the consolidated financial statements for the year ended 30 June 2007 and the unaudited consolidated financial statement for the six months ended 31 December 2007 with the recommendations to the Board for approval; and has reviewed the accounting principals and policies adopted by the Group and its system of internal control. The attendance records of the audit committee meetings held are set out below:

Directors' Attendance at Audit Committee Meetings	No. of attendance
Mr. Pan Chang Chi	2/2
Mr. Cai Xun Shan	1/2
Mr. Cheung Chuen	2/2

D. Accountability and Audit

1. Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements. The Company's accounts are prepared in accordance with all relevant statutory requirements and applicable accounting standards. The Directors are responsible for ensuring that appropriate accounting policies have been adopted and applied consistently, and that judgments and estimates made are prudent and reasonable.

The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group. Having made appropriate enquiries, the Board is not aware of any material uncertainties relating to events or conditions which may cast significant doubt over the Group's ability to continue as a going concern. Accordingly, the Board has continued to adopt the going concern basis in preparing the consolidated financial statements.

2. Internal Controls

The Board had conducted a review of the effectiveness of the system of internal control of the Group covering all material controls, including financial, operation, compliance control, etc. The Group's internal control system includes a defined management structure with limits of authority, is designed to help the achievement of business objectives, safeguard assets against unauthorized use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant legislation and regulations. The system is designed to provide reasonable, but not absolute, assurance against material misstatement or loss and to manage rather than eliminate risks of failure in operation systems and achievement of the Group's objectives. The Board throughout the Group maintains and monitors the internal control systems on an ongoing basis.

3. Auditors' Remuneration

During the year, the remuneration paid/payable to the Company's auditors, KPMG, is set out as follows:

Nature of Services	Fee paid/payable RMB'000
Audit services	2,645
Non-audit services	—
Total:	2,645

E. Investor and Shareholders Relations

The Company continues to pursue a proactive policy in promoting investor relations and communications with the shareholders of the Company. The Board also recognized that effective communication with investors is the key to establish investor confidence and to attract new investors.

The Company communicates with its shareholders and investors through the publication of annual and interim reports, press announcements and releases, also the Company's website at *www.sinotronics.com.cn*.

The annual general meeting of the Company also provides an important opportunity for constructive communication between the Board and the shareholders of the Company. The Chairman as well as the chairmen of the audit and remuneration committees, or in their absence, members of the relevant committees are available to answer any questions raised by the shareholders.

According to the code provision E.1.2 of the CG Code, the Chairman should attend, and the chairmen of the audit and remuneration committees should be available to answer questions at the annual general meeting of the Company.

Mr. Liu Zhao Cai, the former chairman of the Company who has resigned on 28 October 2008, and Mr. Lin Wan Qaing, the chairman of the remuneration committee, were unable to attend the annual general meeting of the Company held on 21 December 2007 in person, but they have already delegated one of the executive Directors to chair the meeting and answer questions at the annual general meeting on their behalf.

The Group regularly releases corporate information, such as awards received, and the latest news of the Group's developments on the Company's website. The public are welcome to give their comments and make their enquiries through the Company's website, the management will give their prompt response thereto.

The Directors have pleasure in submitting their annual report together with the audited consolidated financial statements for the year ended 30 June 2008.

Principal activities

The principal activity of the Company is investment holding. The principal activities and other particulars of the subsidiaries are set out in note 15 to the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Group during the financial year are set out in note 12 to the financial statements.

Major customers and suppliers

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

	Percentage of the Group's total	
	Sales	Purchases
The largest customer	12%	
Five largest customers in aggregate	41%	
The largest supplier		12%
Five largest suppliers in aggregate		55%

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

Financial statements

The profit of the Group for the year ended 30 June 2008 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 30 to 89.

Dividends

The Board recommended the payment of a final dividend of HK$0.004 (equivalent to approximately RMB0.003536) (2007: HK$0.035 (equivalent to approximately RMB0.03375)) per share for the year ended 30 June 2008. The final dividend, subject to shareholders' approval at the forthcoming annual general meeting to be held on 23 December 2008, will be payable to the shareholders whose names appear on the Register of Members of the Company on 23 December 2008 and will be paid on or around 16 January 2009.

Closure of register of members

The register of members will be closed from 17 December 2008 to 23 December 2008, both days inclusive, during which period no transfer of shares will be effected. In order to qualify for receiving the final dividends and attending the forthcoming annual general meeting, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong branch share registrar, Hong Kong Registrars Limited of Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 16 December 2008.

Share capital

Details of movements in share capital of the Company during the year are set out in note 26 to the financial statements.

Transfer to reserves

Profits attributable to equity shareholders, before dividends, of RMB11,179,000 (2007: RMB115,085,000) have been transferred to reserves.

Distributable reserves

Details of the movements in reserves of the Group and the Company during the year are set out in note 25 to the financial statements.

As at 30 June 2008, the distributable reserves of the Company available for distribution to shareholders amounted to approximately RMB173,227,000 (2007: RMB215,125,000) computing in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association. This includes the Company's share premium, contributed surplus and share-based compensation and exchange reserves of approximately RMB239,811,000 (2007: RMB244,971,000), RMB Nil (2007: RMB10,009,000), RMB3,083,000 (2007: RMB3,209,000) and RMB21,302,000 (2007: RMB Nil), respectively, less accumulated losses and exchange reserve of approximately RMB90,969,000 (2007: RMB39,367,000) and RMB Nil (2007: RMB3,697,000) respectively, which is available for distribution provided that immediately following the date on which the dividend is proposed, the Company will be able to pay off its debts as they fall due in the ordinary course of business of the Company.

Subsidiaries

Particulars of the Company's subsidiaries as at 30 June 2008 are set out in note 15 to the financial statements.

Property, plant and equipment

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

Banking facilities

Particulars of the banking facilities of the Company as at 30 June 2008 are set out in note 21 to the financial statements.

Charitable donations

Charitable donations made by the Group during the year amounted to RMB1,347,000 (2007: RMB652,000).

Commitments

Particulars of the commitments of the Group as at 30 June 2008 are set out in note 30 to the financial statements.

Share option scheme

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

Summary of the 2003 Scheme

(A) Purpose of the 2003 Scheme

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

(B) Participants of the 2003 Scheme

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

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

The total number of shares which may be issued upon exercise of all options to be granted under the 2003 Scheme will be 40,262,500 shares, representing 10% of the shares in issue as at the adoption date. On 23 December 2005 and 22 December 2006, an ordinary resolution was passed at each of that annual general meeting to refresh the number of shares available for issue up to 10% of the shares in issue as at the resolution date, representing 46,762,500 and 55,316,900 shares respectively. The maximum number of shares to be issued upon the exercise of all outstanding options granted and yet to be exercised under the 2003 Scheme must not in aggregate exceed 30% of the relevant shares of the Company in issue from time to time.

As at 30 June 2008, a total of 63,000,000 options have been granted since the adoption of the 2003 Scheme. With a total of 12,000,000 options exercised, 36,000,000 options lapsed, 3,000,000 options cancelled, and 12,000,000 options remained outstanding, representing approximately 2.15% of the total issued number of shares of the Company as at 30 June 2008.

(D) Maximum entitlement of each participant

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

(E) Option period

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

(F) Payment on acceptance of option

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

(G) Basis of determining the subscription price

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

(H) Remaining life of the 2003 Scheme

The 2003 Scheme will remain valid until 8 January 2013.

Share options

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

		Number of share options							
Name or category of participant	**Date of grant**	**Outstanding as at 1 July 2007**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding as at 30 June 2008**	**Exercisable period**	**Exercise price per share** HK$	**Market value per share at date of grant of options** HK$
(a) Directors									
Lin Wan Xin *(Note)*	4 September 2006	1,000,000	—	—	—	1,000,000	4 September 2006 to 3 September 2009	1.038	1.03
Xiang Song	4 September 2006	1,500,000	—	—	—	1,500,000	4 September 2006 to 3 September 2009	1.038	1.03
Liu Zhao Cai	4 September 2006	1,500,000	—	—	—	1,500,000	4 September 2006 to 3 September 2009	1.038	1.03
Hu Zhao Rui	4 September 2006	1,000,000	—	—	—	1,000,000	4 September 2006 to 3 September 2009	1.038	1.03
Tong Yiu On	4 September 2006	1,500,000	—	—	—	1,500,000	4 September 2006 to 3 September 2009	1.038	1.03
(b) Eligible employees	4 September 2006	5,500,000	—	—	—	5,500,000	4 September 2006 to 3 September 2009	1.038	1.03
(c) Consultants	27 April 2005	4,000,000	—	4,000,000	—	—	27 April 2005 to 26 April 2008	1.172	0.86
		16,000,000	—	4,000,000	—	12,000,000			

Note: As Mr. Lin Wan Xin, who was an eligible employee of the Company, has been appointed as executive Director on 24 October 2007, then the share options granted to Mr. Lin Wan Xin have accordingly been relocated to under the category of "Directors" in the above table.

Information on the accounting policy for share options granted and the weighted average value per option is provided in notes 1(n)(ii) and 28 to the financial statements.

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

Retirement benefits schemes

Details of the Group's retirement benefits schemes for the year ended 30 June 2008 are set out in note 27 to the financial statements.

Connected transactions

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

Directors

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

Executive Directors

Mr. Lin Wan Xin	*(appointed as Executive Director and Chairman on 24 October 2007 and 28 October 2008 respectively)*
Mr. Xiang Song	*(Chief Executive Officer)*
Mr. Lin Wan Qaing	
Mr. Liu Zhao Cai	*(resigned as Chairman on 28 October 2008)*
Mr. Hu Zhao Rui	
Mr. Tong Yiu On	

Independent Non-executive Directors

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

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

Directors' service agreements

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

Mr. Lin Wan Xin	24 October 2007
Mr. Xiang Song	8 May 2007
Mr. Lin Wan Qaing	8 May 2007
Mr. Liu Zhao Cai	22 April 2006
Mr. Hu Zhao Rui	1 January 2007
Mr. Tong Yiu On	18 December 2002

Except Mr. Tong Yiu On, each of the executive Directors has entered into a service agreement with the Company for a term of three years, with a fixed term of one year, which shall be terminated by either party giving the other not less than six months prior written notice after the expiration of the said fixed term. The service agreement of Mr. Tong Yiu On shall continue after expiry date unless and until terminated by either party giving the other not less than six months prior written notice after the expiration of the said fixed term.

Each of the independent non-executive Directors has entered into an appointment letter with the Company for a term of one year commencing from 1 January 2008 and is subject to retirement by rotation and offers himself for re-election in accordance with the articles of association of the Company.

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

Directors' and chief executives' interests and short positions in shares, underlying shares and debentures

As at 30 June 2008, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executives of the Company were deemed or taken to have under such provisions of the SFO), or which were recorded in the register required to be kept pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Long positions in the shares of the Company

Name	Capacity	Type of interests	Number of issued ordinary shares held	Number of underlying shares held pursuant to share options	Approximate % of the issued share capital
Lin Wan Qaing	Beneficial owner	Personal	230,119,780	—	41.17
Lin Wan Xin	Beneficial owner	Personal	—	1,000,000	0.18
Liu Zhao Cai	Beneficial owner	Personal	—	1,500,000	0.27
Xiang Song	Beneficial owner	Personal	—	1,500,000	0.27
Hu Zhao Rui	Beneficial owner	Personal	—	1,000,000	0.18
Tong Yiu On	Beneficial owner	Personal	—	1,500,000	0.27

Save as disclosed above, as at 30 June 2008, none of the Directors nor the chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company which had to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Shareholders' interests and short positions in the shares and underlying shares of the Company

As at 30 June 2008, according to the register of members kept by the Company pursuant to Section 336 of the SFO and so far as is known to, or can be ascertained after reasonable enquiry by the Directors, the following person/entity (other than the Directors or chief executives of the Company) had an interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO, or be directly and indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote on all circumstances at general meetings of the Company:

Long positions in the shares of the Company

Name	Capacity	Number of shares	Total Number of shares	Total Approximate % of the issued share capital
Atlantis Investment Management Ltd	Investment Manager	42,720,000	42,720,000	7.64
Webb David Michael	Beneficial Owner	5,230,000		
	Corporate Interest	28,834,000	34,064,000	6.09
Preferable Situation Assets Limited	Beneficial Owner	28,018,000 *(Note)*	28,018,000	5.01

Note: *These shares are held by Preferable Situation Assets Limited, a company wholly owned by Mr. Webb David Michael, as disclosed in a filing by Preferable Situation Assets Limited as at 4 January 2008. According to a subsequent disclosure by Mr. Webb David Michael, as at 30 June 2008, its interest had increased to 28,834,000 shares.*

Save as disclosed above, the Company has not been notified of any other interests or short positions representing 5% or more of the issued share capital of the Company and recorded in the register maintained under Section 336 of the SFO as at 30 June 2008.

Directors' rights to acquire shares or debt securities

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

Director's interests in contracts

Save as disclosed in notes 25 and 32 to the financial statements, there was no contract, commitment or agreement of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors had a material interest, either directly or indirectly, subsisted at the end of the year or at any time during the year.

Director's interests in competing business

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

Management contract

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

Financial summary

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set our on page 90 of the annual report.

Purchase, sale or redemption of listed securities

In April 2008 and May 2008, the Company repurchased a total of 200,000 shares and 4,000 shares respectively on the exchange at an average price of HK$0.75 and HK$0.74 per share respectively. The total consideration paid for the repurchases amounted to HK$152,960. Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive rights

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

Audit committee

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

As at the date of this annual report, the audit committee comprises three independent non-executive Directors, namely Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen. During the year ended 30 June 2008, the audit committee has met twice to review the interim and annual results of the Group.

Sufficiency of public float

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

Auditors

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

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

By Order of the Board

Lin Wan Xin
Chairman

Hong Kong, 28 October 2008

Report of the Independent Auditor

Independent auditor's report to the shareholders of
Sinotronics Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Sinotronics Holdings Limited ("the Company") set out on pages 30 to 89, which comprise the consolidated and company balance sheets as at 30 June 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 30 June 2008 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 October 2008

Consolidated Income Statement

for the year ended 30 June 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Turnover	3	**564,317**	695,936
Cost of sales		**(392,348)**	(476,892)
Gross profit		**171,969**	219,044
Other revenue	4	**8,991**	8,061
Other net (loss)/income	4	**(8,124)**	8,623
Distribution costs		**(7,051)**	(7,827)
Administrative expenses		**(41,882)**	(34,102)
Other operating expenses		**(6,300)**	(1,882)
Profit from operations		**117,603**	191,917
Finance costs	5(a)	**(81,833)**	(49,962)
Profit before taxation	5	**35,770**	141,955
Income tax	6(a)	**(24,591)**	(23,695)
Profit for the year		**11,179**	118,260
Attributable to:			
Equity shareholders of the Company		**11,179**	115,085
Minority interests		**—**	3,175
Profit for the year		**11,179**	118,260
Dividends payable to equity shareholders of the Company attributable to the year:	10		
Final dividend proposed after the balance sheet date		**1,977**	18,838
Earnings per share	11		
Basic		**2 cents**	21 cents
Diluted		**2 cents**	20 cents

The notes on pages 37 to 89 form part of these financial statements.

Consolidated Balance Sheet

at 30 June 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	13(a)	**390,299**	358,242
Interests in leasehold land held for own use under operating lease	14	**18,643**	17,159
Purchase deposits of property, plant and equipment		**25,321**	11,557
Purchase deposits of leasehold land		**—**	1,916
Deferred tax assets	23(b)	**2,147**	2,056
		436,410	390,930
Current assets			
Inventories	16	**45,459**	36,100
Trade and other receivables	17	**201,776**	262,691
Fixed deposits	18	**—**	75,660
Pledged deposits	19	**4,307**	—
Cash and cash equivalents	19	**880,366**	728,432
		1,131,908	1,102,883
Current liabilities			
Trade and other payables	20	**162,810**	159,815
Bank loans	21	**253,822**	146,498
Obligations under finance leases	22	**2,591**	3,059
Taxation	23(a)	**4,729**	6,416
Derivative financial instruments	24	**165,067**	151,280
		589,019	467,068
Net current assets		**542,889**	635,815
Total assets less current liabilities		**979,299**	1,026,745
Non-current liabilities			
Bank loans	21	**30,000**	136,539
Obligations under finance leases	22	**510**	3,419
Other long term payable	25	**16,089**	—
Deferred tax liabilities	23(b)	**6,567**	—
		53,166	139,958
NET ASSETS		**926,133**	886,787

Consolidated Balance Sheet

at 30 June 2008

(Expressed in Renminbi)

	Note	**2008 RMB'000**	2007 RMB'000
Capital and reserves	*26(a)*		
Share capital		**58,661**	58,123
Reserves		**867,472**	828,664
Total equity attributable to equity shareholders of the Company		**926,133**	886,787
Minority interests	*26(a)*	**—**	—
TOTAL EQUITY		**926,133**	886,787

Approved and authorised for issue by the board of directors on 28 October 2008.

Lin Wan Xin
Director

Xiang Song
Director

The notes on pages 37 to 89 form part of these financial statements.

Balance Sheet

at 30 June 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Non-current assets			
Property, plant and equipment	13(b)	13	13
Investments in subsidiaries	15	93,975	93,975
		93,988	93,988
Current assets			
Other receivables	17	427,231	344,482
Fixed deposits	18	—	75,660
Cash and cash equivalents	19	8,475	50,122
		435,706	470,264
Current liabilities			
Other payables	20	14,337	10,487
Bank loans	21	99,022	22,698
Derivative financial instruments	24	165,067	151,280
		278,426	184,465
Net current assets		157,280	285,799
Total assets less current liabilities		251,268	379,787
Non-current liabilities			
Bank loans	21	—	106,539
Other long term payable	25	16,089	—
		16,089	106,539
NET ASSETS		235,179	273,248
Capital and reserves	26(b)		
Share capital		58,661	58,123
Reserves		176,518	215,125
TOTAL EQUITY		235,179	273,248

Approved and authorised for issue by the board of directors on 28 October 2008.

Lin Wan Xin
Director

Xiang Song
Director

The notes on pages 37 to 89 form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Total equity at 1 July 2007/2006		**886,787**	701,276
Net income for the year recognised directly in equity:			
Exchange differences on translation of financial statements of operations outside PRC	*26(a)*	**26,611**	1,704
Surplus on revaluation of buildings held for own use, net of deferred tax	*26(a)*	**10,397**	3,991
		37,008	5,695
Net profit for the year		**11,179**	118,260
Total recognised income and expense for the year		**48,187**	123,955
Attributable to:			
Equity shareholders of the Company		**48,187**	120,780
Minority interests		**—**	3,175
		48,187	123,955
Movements in equity arising from capital transactions:			
Minority interests acquired by the Group		**—**	(32,832)
Discount on acquisition of minority interests		**—**	17,832
Equity-settled share-based transactions		**—**	3,065
Issue of shares upon conversion of convertible bonds		**—**	94,351
Issue of shares upon exercise of subscription rights attached to convertible bonds	*26(a)*	**1,841**	—
Issue of shares under share option scheme	*26(a)*	**4,352**	—
Share repurchased and cancelled			
— par value	*26(a)*	**(19)**	—
— premium paid	*26(a)*	**(123)**	—
Contributions by the controlling shareholder	*26(a)*	**3,272**	—
		9,323	82,416
Dividends declared or approved during the year	*26(a)*	**(18,164)**	(20,860)
Total equity at 30 June 2008/2007		**926,133**	886,787

The notes on pages 37 to 89 form part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 30 June 2008
(Expressed in Renminbi)

	Note	**2008 RMB'000**	2007 RMB'000
Operating activities			
Profit before taxation		**35,770**	141,955
Adjustments for:			
— (Gain)/loss on disposal of property, plant and equipment		**(17)**	62
— Depreciation		**24,435**	23,085
— Amortisation of interest in leasehold land held for own used under operating lease		**479**	457
— Interest on bank borrowings		**20,997**	17,797
— Interest on other long term payable		**175**	—
— Interest element of finance lease		**327**	668
— Interest income		**(8,608)**	(6,745)
— Impairment losses of trade and other receivables		**3,339**	721
— Reversal of impairment losses of trade and other receivables		**(330)**	(9,732)
— Fair value adjustments			
— Derivative financial instruments		**60,334**	38,959
— Embedded call option attached to convertible bonds		**—**	(2,496)
— Deficit on revaluation of buildings held for own use		**4,533**	—
— Gain on disposal of trading securities		**—**	(98)
— Equity-settled share-based payment expenses		**—**	3,065
— Foreign exchange loss		**3,801**	—
Operating profit before changes in working capital		**145,235**	207,698
Increase in inventories		**(9,359)**	(7,636)
Decrease/(increase) in trade and other receivables		**57,820**	(13,805)
Increase in trade and other payables		**1,656**	30,917
Cash generated from operations		**195,352**	217,174
Tax paid			
— PRC enterprise income tax paid		**(23,054)**	(22,079)
Net cash from operating activities		**172,298**	195,095
Investing activities			
Increase in deposits for purchase of property, plant and equipment		**(13,764)**	(11,708)
Payment for purchase of property, plant and equipment		**(45,972)**	(56,641)
Proceeds from disposal of property, plant and equipment		**76**	46
Payment for acquisition of additional equity interest in a subsidiary		**—**	(15,000)
Payment for purchase of trading securities		**—**	(100)
Proceeds from disposal of trading securities		**—**	300
Interest received		**8,608**	7,089
Decrease/(increase) in fixed deposits with maturity over three months at acquisition		**72,392**	(75,660)
Net cash generated from/(used in) investing activities		**21,340**	(151,674)

Consolidated Cash Flow Statement

for the year ended 30 June 2008
(Expressed in Renminbi)

	Note	2008 RMB'000	2007 RMB'000
Financing activities			
Proceeds from new bank loans		**164,800**	367,637
Repayment for short-term bank loans		**(152,983)**	(312,351)
Upfront payments from derivative financial instruments		**—**	113,490
Increase in pledged deposits		**(4,307)**	—
Payments for derivative financial instruments		**(30,931)**	—
Capital element of finance lease rentals paid		**(2,927)**	(5,892)
Interest element of finance lease rentals paid		**(327)**	(668)
Increase/(decrease) in amount due to a director		**795**	(10,369)
Increase in other long term payable		**20,072**	—
Proceeds from shares issued under share option scheme		**4,352**	—
Proceeds from shares issued upon exercise of subscription rights attached to convertible bonds		**1,841**	—
Payment for repurchase of shares		**(142)**	—
Interest paid		**(20,997)**	(16,505)
Dividend paid		**(18,164)**	(19,274)
Dividend paid to minority shareholders of subsidiaries		**—**	(1,586)
Net cash (used in)/generated from financing activities		**(38,918)**	114,482
Net increase in cash and cash equivalents		**154,720**	157,903
Cash and cash equivalents at 1 July 2007/2006		**728,432**	572,803
Effect of foreign exchange rate changes		**(2,786)**	(2,274)
Cash and cash equivalents at 30 June 2008/2007	*19*	**880,366**	728,432

Significant non-cash transaction:

During the year ended 30 June 2007, convertible bonds totalling RMB94,351,000 were converted into ordinary shares of the Company.

1 Significant accounting policies

(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 ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong 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 ("the Listing Rules"). A summary of the significant accounting policies adopted by the Company and its subsidiaries (together referred to as the "Group") is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 2 provides information on the changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 30 June 2008 comprise the Company and its subsidiaries.

The functional currencies of the Company and its subsidiaries in the People's Republic of China ("PRC") are Hong Kong dollars and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group adopted RMB as its presentation currency. The measurement basis used in the preparation of the financial statements is historical cost basis except that the following assets and liabilities 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)); and

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

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 31.

1 Significant accounting policies (Continued)

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a 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.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet 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 impairment losses (see note 1(h)).

(d) 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 profit or loss. The gain or loss on remeasurement includes interest income and dividend or expense recognised during the year.

(e) 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(g)) and impairment losses (see note 1(h)). The cost of self-constructed buildings 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 and borrowing costs (see note 1(s));

— other items of plant and equipment are stated in the balance sheets at cost less accumulated depreciation (see note 1(g)) and impairment losses (see note 1(h)); 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.

1 Significant accounting policies (Continued)

(e) Property, plant and equipment (Continued)

(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 profit or loss 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 profit or loss to the extent that a deficit on revaluation in respect of that same asset had previously been charged to profit or loss.

(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 profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from the revaluation reserve to retained profits.

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(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, except that land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(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 or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 1(g). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(h). Finance charges implicit in the lease payments are charged to profit or loss 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 charged to profit or loss in the accounting period in which they are incurred.

1 Significant accounting policies (Continued)

(f) Leased assets (Continued)

(iii) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss 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 profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss 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.

(g) 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 items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— buildings held for own use situated on leasehold land are depreciated over the shorter of the unexpired term of lease and their estimated useful lives, being 25 years from the date of completion.

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

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

(h) Impairment of assets

(i) Impairment of trade and other receivables

Investments in trade and other current receivables that are stated at cost or amortised cost are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation; and

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

1 Significant accounting policies (Continued)

(h) Impairment of assets (Continued)

(i) Impairment of trade and other receivables (Continued)

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other 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 (other than properties carried at revalued amounts);

— interests in leasehold land classified as being held under operating lease; and

— investments in subsidiaries.

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

— *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)

(h) Impairment of assets (Continued)

(ii) Impairment of other assets (Continued)

— *Recognition of impairment losses*

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, 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 (or group of units) on a pro rata basis.

— *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 an impairment loss 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 profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Listing Rules, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 1(h)(i) and (ii)).

(i) 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 the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 1(h)), 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 allowance for impairment of doubtful debts.

1 Significant accounting policies (Continued)

(k) 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 consolidated cash flow statement.

(l) 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 the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 1(p)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

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

(ii) Share-based payments

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.

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 vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. 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).

1 Significant accounting policies (Continued)

(o) Income tax

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 profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

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.

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.

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 profits 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 profits 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)

(o) Income tax (Continued)

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.

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 1(p)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

1 Significant accounting policies (Continued)

(p) Financial guarantees issued, provisions and contingent liabilities (Continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company 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 expenditure 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.

(q) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Sale of goods

Revenue arising from the sale of goods is recognised when the customer has accepted the goods and the related risks and rewards of ownership, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably and there is no continuing management involvement with the goods. 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.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

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.

The results of operations outside the PRC 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 an operation outside the PRC, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

1 Significant accounting policies (Continued)

(s) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(t) Dividends

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

(u) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(v) 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.

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.

Notes to the Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 Significant accounting policies (Continued)

(v) Segment reporting (Continued)

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. For example, segment assets may include inventories, trade receivables and property, plant and equipment. 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, derivative financial instruments, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

(w) Contributions by shareholders

Contributions made by shareholders of the Company to the Group where the Group has no obligation to repay are recognised directly in the capital contribution reserve within equity.

2 Changes in accounting policies

The HKICPA has issued certain new and revised HKFRSs and Interpretations that are first effective or available for early adoption for the current accounting period of the Group and the Company.

There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments. However, as a result of the adoption of HKFRS 7, *Financial instruments: Disclosures* and the amendment to HKAS 1, *Presentation of financial statements: Capital disclosures*, there have been some additional disclosures provided as follows:

As a result of the adoption of HKFRS 7, the financial statements include expanded disclosure about the significance of the Group's financial instruments and the nature and extent of risks arising from those instruments, compared with the information previously required to be disclosed by HKAS 32, *Financial instruments: Disclosure and presentation*. These disclosures are provided throughout these financial statements, in particular in note 29.

The amendment to HKAS 1 introduces additional disclosure requirements to provide information about the level of capital and the Group's and the Company's objectives, policies and processes for managing capital. These new disclosures are set out in note 26(d).

Both HKFRS 7 and the amendment to HKAS 1 do not have any material impact on the classification, recognition and measurement of the amounts recognised in the financial statements.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 35).

3 Turnover

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

	2008 RMB'000	2007 RMB'000
Sales of PCBs	484,123	541,274
Sales of PCBs assembling products	59,481	133,536
SMT processing service income	20,713	21,126
	564,317	695,936

4 Other revenue and other net (loss)/income

	2008 RMB'000	2007 RMB'000
Other revenue		
Interest income	8,608	6,745
Sundry income	383	1,316
	8,991	8,061
Other net (loss)/income		
Reversal of impairment losses of trade and other receivables	330	9,732
Impairment losses of trade and other receivables	(3,339)	(721)
Exchange loss	(5,081)	(392)
Others	(34)	4
	(8,124)	8,623

5 Profit before taxation

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

		2008 RMB'000	2007 RMB'000
(a)	**Finance costs:**		
	Interest on bank loans wholly repayable within five years	22,729	17,326
	Finance charges on obligations under finance leases	327	668
	Interest on convertible bonds wholly repayable within five years	—	300
	Interest on other long term payable	175	—
	Fair value adjustments		
	— Embedded call option attached to convertible bonds	—	(2,496)
	— Derivative financial instruments	60,334	38,959
	Other borrowing costs	—	171
	Total borrowing costs	83,565	54,928
	Less: Borrowing costs capitalised into construction in progress*	(1,732)	(4,966)
		81,833	49,962
(b)	**Staff costs:#**		
	Salaries, wages and other benefits	36,664	32,345
	Contributions to defined contribution retirement plans	12,972	6,538
	Equity-settled share-based payment expenses	—	3,065
		49,636	41,948
(c)	**Other items:**		
	Cost of inventories#	392,348	476,892
	Amortisation of interest in leasehold land held for own use under operating lease#	479	457
	Depreciation#		
	— owned fixed assets	20,766	19,492
	— assets held for use under finance lease	3,669	3,593
	Operating lease rentals for premises#	1,772	2,275
	Auditors' remuneration	2,832	2,128
	Gain on disposal of trading securities	—	(98)
	Deficit on revaluation of buildings held for own use	4,533	—

* *The borrowing costs have been capitalised at rates of 6.01% – 6.10% per annum (2007: 5.22% – 6.71%).*

\# *Cost of inventories includes RMB57,369,000 (2007: RMB50,867,000) relating to staff costs, 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 5(b) for each of these types of expenses.*

6 Income tax in the consolidated income statement

(a) Taxation in the consolidated income statement represents:

	2008 RMB'000	2007 RMB'000
Current tax		
Provision for PRC enterprise income tax	21,367	22,997
Deferred tax		
Origination and reversal of temporary differences	2,908	698
Effect of change in tax rate in the PRC	316	—
	3,224	698
	24,591	23,695

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 Company's subsidiaries in the PRC are subject to PRC Foreign Enterprise Income Tax ("FEIT") (prior to implementation of the New Corporate Income Tax ("CIT") law on 1 January 2008) and CIT starting 1 January 2008. Pursuant to the income tax rules and regulations of the PRC, the provision for PRC enterprise income tax of the Group is calculated based on the following rates:

	Note	2008 CIT	2007 FEIT
Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang")	(1)	18%	15%
Gemini Electronics (Huizhou) Co., Ltd ("Gemini")	(2)	9%	0%
Shuangxiang (Fujian) Electronics Limited ("Shuangxiang")	(2)	9%	0%
Fuqing Haichuang Electron Technology Co., Ltd. ("Haichuang")	(3)	N/A	N/A

Notes:

(1) As Fuqiang is located in an economic and technological development zone, it is entitled to enjoy a 15% reduced tax rate up to 31 December 2007 under the old FEIT regime. Upon implementation of the new CIT law on 1 January 2008, Fuqiang is subject to CIT at a transitional reduced rate of 18%. The details are explained below.

(2) Pursuant to the income tax rules and regulations in the PRC, Gemini and Shuangxiang are fully exempt from PRC enterprise income tax until 31 December 2007. Thereafter, according to the grandfathering provisions governing the treatment of unexpired FEIT holiday after the implementation of the CIT law, both companies are subject to PRC enterprise income tax at 50% of the applicable income tax rate for the following three years. In 2008, Gemini and Shuangxiang are subject to PRC enterprise income tax at a reduced rate of 9%. The details are explained below.

(3) Pursuant to the income tax rules and regulations in the PRC, Haichuang is not subject to PRC enterprise income tax as it did not commence business during the years presented.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the CIT Law of the PRC (the "New Tax Law"), which became effective on 1 January 2008. Further, the State Council released the Implementation Rules to the CIT Law on 6 December 2007, and Notice on the Implementation Rules of the Grandfathering Relief under the Corporate Income Tax Law (Guo Fa 2007 No. 39) ("Notice 39") on 26 December 2007.

6 Income tax in the consolidated income statement

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

Notes: (Continued)

(iii) ***PRC enterprise income tax (Continued)***

According to the New Tax Law, effective 1 January 2008, the standard income tax rate for PRC enterprises is reduced from 33% to 25%. Further, according to the Notice 39, for enterprise located in economic and technological development zones which had previously enjoyed a 15% reduced tax rate, the tax rate will gradually increase to 25% during a 5-year transition period according to the following schedule: 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012 (the "five-year transition rate").

Furthermore, as production-oriented FIEs, Gemini and Shuangxiang had kick started their FEIT Tax Holiday ("Tax Holiday") in year 2006. As such, the companies were exempted from FEIT in years 2006 and 2007. According to Notice 39, unexpired Tax Holiday enjoyed by FIE established before 16 March 2007 is allowed to continue after implementation of CIT law on 1 January 2008 until expiry of Tax Holiday. As such, the applicable CIT rate of Gemini and Shuangxiang is 9% (50% of 18%) in year 2008; 10% (50% of 20%) in year 2009; 11% (50% of 22%) in year 2010; 24% (Tax Holiday expired) in year 2011 and 25% thereafter.

The deferred tax assets/liabilities of subsidiaries in the PRC are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

In addition, under the New Tax Law and Implementation Rules starting from 1 January 2008, dividends distributed by the PRC subsidiaries to their foreign holding investors are subject to withholding income tax at 10%, subject to reduction under double-taxation arrangements ("DTA"). Since the holding companies of the PRC subsidiaries are incorporated in the British Virgin Islands, which currently does not enter into a DTA with China, dividends distributed by the PRC subsidiaries would be subject to withholding tax at 10%. Dividend receivable by the Group from subsidiaries in the PRC in respect of their undistributed profits accumulated up to 31 December 2007 is exempted from withholding tax.

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

	2008 RMB'000	2007 RMB'000
Profit before tax	**35,770**	141,955
Notional tax on profit before tax, calculated at the rates applicable to profits in the jurisdictions concerned	**10,579**	19,974
Tax effect of non-deductible expenses	**15,214**	11,707
Tax effect of non-taxable income	**(218)**	(604)
Tax effect of prior year's tax loss utilised this year	**—**	(496)
Tax effect of net income under tax holiday	**(1,300)**	(6,886)
Effect of change in tax rate on the deferred tax balances	**316**	—
Actual tax expenses	**24,591**	23,695

7 Directors' remuneration

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

	Directors' fees		Salaries and other emoluments		Retirement scheme contributions		Share-based payments (note)		Total	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Executive directors:										
Lin Wan Qaing	—	—	760	799	13	13	—	—	773	812
Lin Wan Xin	—	—	297	—	—	—	—	—	297	—
Liu Zhao Cai	—	—	458	402	—	—	—	372	458	774
Xiang Song	—	—	346	358	—	—	—	372	346	730
Tong Yiu On	—	—	557	600	11	12	—	372	568	984
Hu Zhao Rui	—	—	361	240	—	—	—	248	361	488
Independent non-executive directors:										
Pan Chang Chi	60	10	—	—	—	—	—	—	60	10
Cai Xun Shan	60	10	—	—	—	—	—	—	60	10
Cheung Chuen	87	45	—	—	—	—	—	—	87	45
	207	65	2,779	2,399	24	25	—	1,364	3,010	3,853

Note: *These represent the estimated value of share options granted to the directors pursuant to the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 1(n)(ii). Details of these benefits in kind, including the principal terms and number of options granted, are disclosed in the directors' report and note 28.*

8 Individuals with highest emoluments

Of the five individuals with the highest emoluments, five (2007: five) are directors whose emoluments are disclosed in note 7.

9 Loss attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a loss of approximately RMB79,445,000 (2007: RMB55,153,000) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's loss for the year:

	2008 RMB'000	2007 RMB'000
Amount of loss attributable to equity shareholders dealt with in the Company's financial statements	(79,445)	(55,153)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	27,843	30,000
Company's loss for the year (note 26(b))	(51,602)	(25,153)

10 Dividends

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

	2008 RMB'000	2007 RMB'000
Final dividend proposed after the balance sheet date of HK$0.004 (equivalent to approximately RMB0.003536) per ordinary share (2007: HK$0.035 (equivalent to approximately RMB0.03375) per ordinary share)	1,977	18,838

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

	2008 RMB'000	2007 RMB'000
Final dividend of HK$0.035 (equivalent to approximately RMB0.0325) per ordinary share (2007: HK$0.035 (equivalent to approximately RMB0.035) per ordinary share) in respect of the previous financial year, approved and paid during the year	18,164	19,274

11 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 RMB11,179,000 (2007: RMB115,085,000) and the weighted average number of 558,332,000 (2007: 548,950,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2008 '000	2007 '000
Issued ordinary shares at 1 July 2007/2006	553,169	467,625
Effect of share options exercised	3,789	—
Effect of exercise of subscription rights attached to convertible bonds	1,408	—
Effect of shares repurchased	(34)	—
Effect of conversion of convertible bonds	—	81,325
Weighted average number of ordinary shares at 30 June 2008/2007	558,332	548,950

11 Earnings per share (Continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of RMB11,179,000 (2007: RMB112,863,000) and the weighted average number of 560,339,000 (2007: 553,794,000) ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

(i) Profit attributable to ordinary equity shareholders of the Company (diluted)

	2008 RMB'000	2007 RMB'000
Profit attributable to equity shareholders	**11,179**	115,085
Adjustments in respect of interest costs and exchange difference on convertible bonds and change in fair value of embedded call option attached to convertible bonds	**—**	(2,222)
Profit attributed to ordinary equity shareholders (diluted)	**11,179**	112,863

(ii) Weighted average number of ordinary shares (diluted)

	2008 '000	2007 '000
Weighted average number of ordinary shares at 1 July 2007/2006	**558,332**	548,950
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration per share (note 28)	**2,007**	625
Deemed issue of ordinary shares as a result of conversion of convertible bonds for nil consideration	**—**	4,219
Weighted average number of ordinary share (diluted) at 30 June 2008/2007	**560,339**	553,794

12 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's internal financial reporting.

(a) Business segments

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

	PCBs		PCBs assembling products		SMT processing		Inter-segment elimination		Unallocated		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue from external customers	484,123	541,274	59,481	133,536	20,713	21,126	—	—	—	—	564,317	695,936
Inter-segment revenue	—	105	—	—	—	—	—	(105)	—	—	—	—
Total	484,123	541,379	59,481	133,536	20,713	21,126	—	(105)	—	—	564,317	695,936
Segment result	133,508	190,163	(1,542)	14,205	(537)	2,247		—		—	131,429	206,615
Unallocated operating income and expenses											(13,826)	(14,698)
Profit from operations											117,603	191,917
Finance costs											(81,833)	(49,962)
Taxation											(24,591)	(23,695)
Minority interests											—	(3,175)
Profit after taxation											11,179	115,085
Depreciation and amortisation for the year	19,060	21,225	4,336	1,963	1,510	311	—	—	8	43	24,914	23,542
Segment assets	1,310,894	1,141,779	226,868	256,672	79,003	40,607	(60,248)	(76,133)	11,801	130,888	1,568,318	1,493,813
Segment liabilities	143,612	142,168	51,600	73,421	17,969	11,616	(60,248)	(76,133)	489,252	455,954	642,185	607,026
Capital expenditure incurred during the year	35,409	21,443	10,366	20,170	3,610	3,191	—	—	21	11	49,406	44,815

12 Segment reporting (Continued)

(b) Geographical segments

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

	The Group	
	2008	2007
	RMB'000	RMB'000
Segment revenue		
— PRC, excluding Hong Kong and Taiwan	**444,687**	565,423
— Hong Kong	**40,064**	41,455
— Australia	**37,131**	48,849
— Germany	**7,595**	8,417
— Malaysia	**3,154**	3,411
— USA	**1,186**	2,064
— Others	**30,500**	26,317
Total revenue from external customers	**564,317**	695,936

All segment assets and related capital expenditure incurred during the year are located in the PRC (excluding Hong Kong and Taiwan) as at 30 June 2008 and 2007.

13 Property, plant and equipment

(a) The Group

Year 2006/2007

	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 2006	138,291	171,460	6,830	4,153	77,202	397,936
Additions	547	13,408	1,349	512	28,999	44,815
Disposals	—	(61)	(53)	—	—	(114)
Fair value adjustment	4,666	—	—	—	—	4,666
Less: Elimination of accumulated depreciation	(6,674)	—	—	—	—	(6,674)
Exchange adjustments	—	—	(25)	—	—	(25)
At 30 June 2007	136,830	184,807	8,101	4,665	106,201	440,604
Representing:						
Cost	—	184,807	8,101	4,665	106,201	303,774
Valuation	136,830	—	—	—	—	136,830
	136,830	184,807	8,101	4,665	106,201	440,604
Accumulated depreciation:						
At 1 July 2006	—	59,206	3,468	3,305	—	65,979
Depreciation charge for the year	6,674	15,460	808	143	—	23,085
Written back on disposals	—	(6)	—	—	—	(6)
Elimination on revaluation	(6,674)	—	—	—	—	(6,674)
Exchange adjustments	—	—	(22)	—	—	(22)
At 30 June 2007	—	74,660	4,254	3,448	—	82,362
Net book value:						
At 30 June 2007	136,830	110,147	3,847	1,217	106,201	358,242

13 Property, plant and equipment (Continued)

(a) The Group (Continued)

Year 2007/2008

	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 2007	136,830	184,807	8,101	4,665	106,201	440,604
Additions	6,293	20,768	1,623	2,118	16,639	47,441
Disposals	—	(15)	(11)	(418)	—	(444)
Transfer to fixed assets	106,201	—	—	—	(106,201)	—
Fair value adjustment						
— Surplus	13,648	—	—	—	—	13,648
— Deficit	(4,533)	—	—	—	—	(4,533)
Less: Elimination of accumulated depreciation	(9,299)	—	—	—	—	(9,299)
Exchange adjustments	—	—	(40)	—	—	(40)
At 30 June 2008	249,140	205,560	9,673	6,365	16,639	487,377
Representing:						
Cost	—	205,560	9,673	6,365	16,639	238,237
Valuation	249,140	—	—	—	—	249,140
	249,140	205,560	9,673	6,365	16,639	487,377
Accumulated depreciation:						
At 1 July 2007	—	74,660	4,254	3,448	—	82,362
Depreciation charge for the year	9,299	13,664	1,122	350	—	24,435
Written back on disposals	—	(6)	(2)	(377)	—	(385)
Elimination on revaluation	(9,299)	—	—	—	—	(9,299)
Exchange adjustments	—	—	(35)	—	—	(35)
At 30 June 2008	—	88,318	5,339	3,421	—	97,078
Net book value:						
At 30 June 2008	249,140	117,242	4,334	2,944	16,639	390,299

The construction in progress at 30 June 2008 primarily relates to the additional production premises and facilities of subsidiaries in the PRC.

13 Property, plant and equipment (Continued)

(b) The Company

	Furniture and equipment	
	2008	2007
	RMB'000	RMB'000
Cost:		
At 1 July	**125**	125
Accumulated depreciation:		
At 1 July	**112**	109
Depreciation charge for the year	**—**	3
At 30 June	**112**	112
Net book value:		
At 30 June	**13**	13

(c) All the Group's buildings are located in the PRC. The Group's buildings were revalued at 30 June 2008 by an independent firm of surveyors, Ample Appraisal Limited who has among their staff Professional Member of Hong Kong Institute of Surveyors and Professional Member of Royal Institution of Chartered Surveyors, with recent experience in the location and category of property being valued, 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 2008, the net book value of machineries held under finance leases of the Group was RMB28,028,000 (2007: RMB31,697,000).

(e) Had the buildings held for own use of the Group been carried at cost less accumulated depreciation, the carrying amount would have been RMB240,359,000 (2007: RMB131,003,000).

14 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	
	2008	2007
	RMB'000	RMB'000
Outside Hong Kong — medium-term leases	**18,643**	17,159

15 Investments in subsidiaries

	The Company 2008 RMB'000	2007 RMB'000
Unlisted shares, at cost	**93,975**	93,975

Details of the subsidiaries as at 30 June 2008 were as follows:

Name of company	Place of incorporation and/ or operation	Particulars of issued and fully paid up capital	Proportion of ownership interest: Group's effective interest	Held by the Company	Held by subsidiary	Principal activities
Superford Holding Limited ("Superford")	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 ("Tempest")	BVI/Hong Kong	1 share of US$1 each	100%	100%	—	Investment holding
Winrise International Limited ("Winrise")	BVI/Hong Kong	100 shares of US$ 1 each	100%	100%	—	Investment holding
Herowin Limited ("Herowin")	BVI	100 shares of US$1 each	100%	100%	—	Investment holding
Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang")*	PRC	RMB92,000,000	100%	—	100%	Manufacturing and trading of printed circuit boards ("PCBs")
Gemini Electronics (Huizhou) Co., Ltd. ("Gemini")*	PRC	US$12,820,000	100%	—	100%	Manufacturing and trading of PCBs
Shuangxiang (Fujian) Electronics Limited ("Shuangxiang")*	PRC	RMB110,547,635	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$6,501,000	100%	—	100%	Not yet commenced business

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

The shares of certain subsidiaries were pledged as part of the security against financing facilities granted to the Company. The total asset value of these subsidiaries as at 30 June 2008 is disclosed in note 21(ii).

16 Inventories

	The Group	
	2008	2007
	RMB'000	RMB'000
Raw materials	**23,659**	21,146
Work-in-progress	**7,094**	10,243
Finished goods	**14,706**	4,711
	45,459	36,100

The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Carrying amount of inventories sold	**384,428**	476,892
Write down of inventories	**8,000**	—
Reversal of write-down of inventories	**(80)**	—
	392,348	476,892

17 Trade and other receivables

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Amounts due from subsidiaries	**—**	—	**427,231**	344,482
Bills receivable	**644**	9,972	**—**	—
Trade receivables	**203,686**	248,074	**—**	—
Less: allowance for doubtful debts	**(11,206)**	(7,878)	**—**	—
	193,124	250,168	**427,231**	344,482
Rental and other deposits	**511**	409	**—**	—
Advances to employees	**1,015**	2,097	**—**	—
Prepayments	**2,657**	7,534	**—**	—
Others	**4,469**	2,483	**—**	—
	201,776	262,691	**427,231**	344,482

The amounts due from subsidiaries are unsecured, non-interest bearing and repayable on demand.

17 Trade and other receivables (Continued)

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

(a) Ageing analysis

Included in trade and other receivables are trade receivables and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the balance sheet date:

	The Group	
	2008	2007
	RMB'000	RMB'000
Current	**157,862**	218,588
Less than 1 month past due	**24,065**	14,714
1 to 3 months past due	**7,678**	14,854
More than 3 months but less than 12 months past due	**3,519**	2,012
Amount past due	**35,262**	31,580
	193,124	250,168

The Group's credit policy is set out in note 29(a).

(b) Impairment of trade receivables and bills receivable

Impairment losses in respect of trade receivables and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables and bills receivable directly (see note 1(h)(i)).

The movement in the allowance for doubtful debts during the year is as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
At 1 July 2007/2006	**7,878**	11,649
Impairment losses recognised	**3,328**	721
Write-back of impairment losses	**—**	(4,492)
At 30 June 2008/2007	**11,206**	7,878

At 30 June 2008, the Group's trade receivables and bills receivable of RMB13,594,000 (2007: RMB13,714,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. Consequently, specific allowances for doubtful debts of RMB11,206,000 (2007: RMB7,878,000) were recognised. The Group does not hold any collateral over these balances.

17 Trade and other receivables (Continued)

(c) Trade receivables and bills receivable that are not impaired

The ageing analysis of trade receivables and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Neither past due nor impaired	**156,909**	214,399
Less than 1 month past due	**24,004**	13,681
1 to 3 months past due	**7,665**	14,299
More than 3 months but less than 12 months past due	**2,158**	1,953
	33,827	29,933
	190,736	244,332

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

18 Fixed deposits

Fixed deposits are with maturity over three months at acquisition.

19 Cash and cash equivalents

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Deposits with banks	**5,324**	36,349	**1,017**	31,168
Cash at bank and in hand	**879,349**	692,083	**7,458**	18,954
	884,673	728,432	**8,475**	50,122
Less: pledged deposits	**(4,307)**	—	**—**	—
	880,366	728,432	**8,475**	50,122

Pledged deposits mainly represent the amounts pledged to the banks to secure bills payable of the Group.

At 30 June 2008, cash and cash equivalents of RMB875,458,000 (2007: RMB675,674,000) of the Group were subject to exchange control in the PRC.

20 Trade and other payables

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Trade payables	**87,490**	91,493	**—**	—
Bills payable	**14,351**	17,057	**—**	—
Other payables and accruals	**14,839**	17,781	**4,493**	5,342
Other tax payable	**4,942**	2,167	**—**	—
Payable for purchase of property, plant and equipment	**4,511**	5,980	**—**	—
Staff welfare payable	**29,175**	18,479	**—**	—
Utility and rental payable	**2,795**	2,499	**—**	—
Amounts due to subsidiaries	**—**	—	**5,097**	5,102
Amounts due to a director	**4,707**	4,359	**4,747**	43
	162,810	159,815	**14,337**	10,487

Amounts due to 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 as of the balance sheet date:

	The Group	
	2008	2007
	RMB'000	RMB'000
Due within 6 months or on demand	**101,841**	95,245
Due after 6 months but within 1 year	**—**	10,190
Due after 1 year	**—**	3,115
	101,841	108,550

21 Bank loans

At 30 June 2008, the bank loans were repayable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year or on demand	**253,822**	146,498	**99,022**	22,698
After 1 year but within 2 years	**30,000**	—	**—**	—
After 2 years but within 5 years	**—**	136,539	**—**	106,539
	283,822	283,037	**99,022**	129,237

21 Bank loans (Continued)

At 30 June 2008, the bank loans were secured as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Secured by leasehold land and buildings held for own use (note (i))	**77,000**	42,000	**—**	—
Secured by shares (note (ii))	**99,022**	106,539	**99,022**	106,539
Unsecured (note (v))	**107,800**	134,498	**—**	22,698
	283,822	283,037	**99,022**	129,237

Notes:

(i) At 30 June 2008, certain interest in leasehold land held for own use under operating lease and buildings held for own use of RMB169,907,000 (2007: RMB8,199,000) were pledged to banks for bank loans totalling RMB77,000,000 (2007: RMB42,000,000) granted to the Group.

(ii) As at 30 June 2008, a bank loan of US$15,000,000 (equivalent to RMB102,852,000) (2007: US$15,000,000) (equivalent to RMB113,490,000)) granted to the Company was secured by its entire equity interest in Superford, Tempest, Winrise and Herowin (the "BVI subsidiaries"). The BVI subsidiaries are the immediate holding companies of Fuqiang, Gemini, Shuangxiang and Haichuang, respectively (the "PRC subsidiaries"). The PRC subsidiaries are operating subsidiaries of the Group. Total net asset value of BVI and PRC subsidiaries as at 30 June 2008 was approximately RMB822,590,000 (2007: RMB720,872,000).

(iii) At 30 June 2008, the Group had undrawn committed borrowing facilities of RMBNil (2007: RMB70,000,000) in respect of which all conditions precedent had been met.

(iv) At 30 June 2008, the Company has breached one of the covenants of a bank loan amounting to RMB99,022,000, which required the Group to maintain its EBITDA, defined as the consolidated profits of the Group before interest expenses, tax on income and profits, tax credits, depreciation, amortisation, exceptional items, and any extraordinary items, of not less than seven times of the Group's interest expenses. Included in the amount utilised is RMB60,254,000 which, in accordance with the terms of the banking facility, was scheduled to be repaid after one year from the balance sheet date, but is classified as current liabilities in the consolidated and company balance sheets as at 30 June 2008 as the Company does not have an unconditional right at the balance sheet date to defer settlement for at least the next twelve months as a result of the breach of that covenant. The directors believe that the early repayment, if required, does not materially affect the Group's liquidity position as at 30 June 2008.

Other than the above, none of the covenants relating to drawn down facilities had been breached as at 30 June 2008 (2007: Nil). Further details of the Group's management of liquidity risk are set out in note 29(b).

(v) A corporate guarantee is issued by the Company in respect of bank loans of RMB83,800,000 (2007: RMB73,800,000) granted to subsidiaries. As at the balance sheet date, the directors do not consider it probable that a claim will be made against the Company under the guarantee. The maximum liability of the Company at the balance sheet date under the guarantee issued amounted to RMB83,800,000 (2007: RMB73,800,000). The Company has not recognised any deferred income in respect of the guarantee as the fair value of such guarantee cannot be reliably measured and the transaction price was nil.

22 Obligations under finance leases

At 30 June 2008, the obligations under finance leases were repayable as follows:

	The Group					
	2008			2007		
	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	**2,591**	**150**	**2,741**	3,059	379	3,438
After 1 year but within 2 years	**510**	**9**	**519**	2,857	162	3,019
After 2 years but within 5 years	**—**	**—**	**—**	562	10	572
	510	**9**	**519**	3,419	172	3,591
	3,101	**159**	**3,260**	6,478	551	7,029

23 Income tax in the balance sheet

(a) Current taxation in the balance sheet represents:

	The Group	
	2008 RMB'000	2007 RMB'000
Provision for PRC enterprise income tax for the year	**21,367**	22,997
PRC enterprise income tax paid	**(16,638)**	(16,581)
	4,729	6,416

23 Income tax in the balance sheet (Continued)

(b) Deferred tax (assets)/liabilities recognised:

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

	The Group			
	General provision RMB'000	Withholding tax on undistributed profits of PRC subsidiaries RMB'000	Others RMB'000	Total RMB'000
Deferred tax arising from:				
At 1 July 2006	(2,883)	—	(547)	(3,430)
Charged/(credited) to profit or loss	1,167	—	(469)	698
Charged to reserves	—	—	676	676
At 30 June 2007	(1,716)	—	(340)	(2,056)
At 1 July 2007	(1,716)	—	(340)	(2,056)
(Credited)/charged to profit or loss	(676)	5,280	(1,380)	3,224
Charged to reserves	—	—	3,252	3,252
At 30 June 2008	(2,392)	5,280	1,532	4,420

	The Group	
	2008 RMB'000	2007 RMB'000
Net deferred tax assets recognised on the balance sheet	**(2,147)**	(2,056)
Net deferred tax liabilities recognised on the balance sheet	**6,567**	—
	4,420	(2,056)

23 Income tax in the balance sheet (Continued)

(c) Deferred tax assets not recognised:

At 30 June 2008, the Group had not recognised deferred tax assets in respect of tax losses of approximately RMB52,000 (2007: RMBNil) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity. The tax losses will expire in the coming 5 years.

24 Derivative financial instruments

	The Group and the Company	
	2008	2007
	RMB'000	RMB'000
As at 1 July 2007/2006	**151,280**	—
Upfront payments received at inception	—	113,490
Payments made during the year	**(30,931)**	—
Change in fair value	**60,334**	38,959
Exchange adjustments	**(15,616)**	(1,169)
Structured interest rate swaps as at 30 June 2008/2007	**165,067**	151,280

During the year ended 30 June 2007, the Company entered into two structured interest rate swaps (the "Swaps") with maturity in 2012 with a commercial bank (the "Bank"), under which total upfront payments of approximately RMB113,490,000 were received at the inception of the Swaps and were initially recognised as derivative financial liabilities in the balance sheets. The Swaps are remeasured at fair value as provided and estimated by the Bank using a valuation technique based on certain assumptions at each balance sheet date. The Swaps are structured and packaged utilising a combination of different financial instruments. These may include but not limited to cash instruments, futures and forward instruments, options instruments and other types of derivatives. The fair value of the Swaps on each balance sheet date, besides taking into account the expected cashflows of the Swaps, will also take into consideration the aggregate market value of the different underlying financial instruments on that particular valuation date. In addition, factors such as the forward interest rates, interest rate volatility, the yield curve, the shape of the yield curve, the level of an index published on Bloomberg and other market data which the Bank believes to be appropriate at the time of calculating the fair value, will affect the final valuation of the Swaps. As at 30 June 2008, a loss on change in fair value of RMB60,334,000 (2007: RMB38,959,000) was recognised in profit or loss.

(Expressed in Renminbi unless otherwise indicated)

24 Derivative financial instruments (Continued)

Key terms of the interest rate swaps are summarised as follows:

	Swap 1	Swap 2
Notional amounts:	HK$390,000,000	US$100,000,000
Upfront payments:	HK$39,000,000	US$10,000,000
Effective date:	14 February 2007	19 April 2007
Maturity date:	14 February 2012	19 April 2012
Bank pays:		8% (semi-annually)
— First six months	7% (semi-annually)	
— Thereafter	7%* N/D (semi-annually) (Note (i))	
The Company pays:	9% (semi-annually)	First six months: 10% (semi-annually) Thereafter: 10% – 5* (Index YoY Return – 1%) Coupon capped at 13% and floored at 0% (semi-annually) (Note (ii))

Notes:

(i) *N equals the number of business days in the Observation Period* (each such date a "Reference Date") for which Reference Rate 1** minus Reference Rate 2*** is greater than or equal to 0%.*

D equals the actual number of business days in such Observation Period.

For purpose of calculating "N" for each Observation Period, the Reference Rate 1 and Reference Rate 2 shall be observed on each Reference Date during such Observation Period (each such date an "Observation Date").

* *Observation Period means each period beginning from and including the day which is five business days prior to the previous payment date (or the effective date in the case of the first six months), to but excluding the day that is six business days prior to the next following payment date.*

** *Reference Rate 1 means the HKD-Swap Rate published by the International Swaps and Derivatives Association, Inc. with a designated maturity of ten years.*

*** *Reference Rate 2 means the HKD-Swap Rate published by the International Swaps and Derivatives Association, Inc. with a designated maturity of two years.*

(ii) *Index means the Deutsche Bank Pan-Asian Forward Rate Bias Index (the "Index") as published on Bloomberg.*

Index YoY Return is the closing level of the Index five business days prior to the end of the relevant coupon payment period/closing level of the Index five business days prior to the coupon payment date which is two coupon payment periods prior to the relevant coupon payment (or effective date in cash of the second coupon payment period) – 1.

In accordance with the terms and conditions of the Swaps, the Group has to settle payment with the Bank semi-annually on a net basis. During the year, the Group made payments of approximately RMB30,931,000 (2007: RMBNil) to the Bank, of which RMB20,072,000 (2007: RMBNil) was financed by the controlling shareholder of the Company. The details of the financial assistance from the controlling shareholder are disclosed in note 25.

25 Other long term payable

	The Group and the Company	
	2008	2007
	RMB'000	RMB'000
Financial assistance from the controlling shareholder (the "CS")	**16,089**	—

In order to minimise speculation on the financial exposure of the Company under the Swaps, on 12 December 2007, Mr Lin Wan Qiang, the CS and a director of the Company, had executed a deed of indemnity (the "Deed") providing interest-free and unsecured financial assistance to the Company in respect of its interest payment obligations in connection with the Swaps to the extent as follows:

— in respect of each interest payment period, payment by the CS will be limited to the interest payable by the Company to the Bank after netting off the amount of interest payable by the Bank to the Company, if any;

— in case the Company receives interest from the Bank after netting off the interest payable by the Company to the Bank and the interest payable by the Bank, the Company will keep such interest received from the Bank; and

— at the maturity date of the Swaps, the Company shall reimburse the CS such amount of sum(s) paid by the CS to the Company under the Deed to the extent of the amount of the Cash Inflow (as defined as the aggregate amount of upfront payments of approximately RMB113,490,000 received at the inception of the Swaps ("Upfront Payments") as disclosed in note 24 and the interest received from the Bank), and for the avoidance of doubt, if the Cash Inflow exceeds the aggregate amount of sums actually paid by the CS to the Company under the Deed, the Company will only be required to reimburse the CS such amount equivalent to the sum actually paid by the CS to the Company under the Deed.

As a result of the arrangement under the Deed, given the CS is assuming the interest payment obligations of the Company and the Company is required to reimburse the CS to the extent of the Cash Inflow, if the Company is eventually liable to pay more interest than it receives from the Bank (i.e. the Company makes a loss), the maximum future cash outflows of the Company under the Swaps will be contained at the amount of the Upfront Payments. If however, the aggregate interest receivable by the Company from the Bank is greater than the interest payable by the Company to the Bank (i.e. the Company makes a gain), this would mean that the interest actually paid out by the CS is less than the interest received by the Company, the Company will still be entitled to keep the difference (i.e. net interest received) since the Company is only required to reimburse the CS such amount equivalent to the sum actually paid by the CS to the Company under the Deed.

In accordance with the accounting policies set out in notes 1(l) and (w), the amount of financial assistance received is initially recognised at fair value. During the year ended 30 June 2008, a total amount of RMB3,272,000, being the difference between the fair value and the nominal amount of cash received by the Company was recognised as capital contribution by the CS in the capital contribution reserve within equity. The financial assistance is subsequently stated at amortised cost and the related interest expense calculated using the effective interest method has been recognised in profit or loss.

26 Capital and reserves

(a) The Group

	Attributable to equity shareholders of the Company												
	Share capital	Share premium	Share-based compensation reserve *(note (i))*	Statutory reserve *(note (ii))*	Capital reserve *(note (iii))*	Exchange reserve *(note (iv))*	Building valuation reserve *(note (v))*	Capital contribution reserve *(note (vi))*	Capital repurchase reserve *(note (viii))*	Retained profits	Total	Minority interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2006	49,568	159,175	144	—	46,115	297	39	—	—	414,695	670,033	31,243	701,276
Equity settled share-based transactions	—	—	3,065	—	—	—	—	—	—	—	3,065	—	3,065
Exchange difference on translation of financial statements of operations outside PRC	—	—	—	—	—	1,704	—	—	—	—	1,704	—	1,704
Surplus on revaluation of buildings held for own use, net of deferred tax	—	—	—	—	—	—	3,991	—	—	—	3,991	—	3,991
Issue of shares upon conversion of convertible bonds	8,555	85,796	—	—	—	—	—	—	—	—	94,351	—	94,351
Dividend approved in respect of the previous year (note 10(b))	—	—	—	—	—	—	—	—	—	(19,274)	(19,274)	(1,586)	(20,860)
Acquisition of minority interests	—	—	—	—	17,832	—	—	—	—	—	17,832	(32,832)	(15,000)
Profit for the year	—	—	—	—	—	—	—	—	—	115,085	115,085	3,175	118,260
Appropriations to statutory reserve	—	—	—	3,440	—	—	—	—	—	(3,440)	—	—	—
At 30 June 2007	58,123	244,971	3,209	3,440	63,947	2,001	4,030	—	—	507,066	886,787	—	886,787
At 1 July 2007	58,123	244,971	3,209	3,440	63,947	2,001	4,030	—	—	507,066	886,787	—	886,787
Exchange difference on translation of financial statements of operations outside PRC	—	—	—	—	—	26,611	—	—	—	—	26,611	—	26,611
Surplus on revaluation of buildings held for own use, net of deferred tax	—	—	—	—	—	—	10,397	—	—	—	10,397	—	10,397
Issue of shares upon exercise of subscription rights attached to convertible bonds	186	1,655	—	—	—	—	—	—	—	—	1,841	—	1,841
Issue of shares under share option scheme	371	4,107	(126)	—	—	—	—	—	—	—	4,352	—	4,352
Purchase and cancellation of own shares													
— par value paid	(19)	—	—	—	—	—	—	—	—	—	(19)	—	(19)
— premium paid	—	(123)	—	—	—	—	—	—	—	—	(123)	—	(123)
— transfer between reserves	—	(19)	—	—	—	—	—	—	19	—	—	—	—
Contributions by controlling shareholder	—	—	—	—	—	—	—	3,272	—	—	3,272	—	3,272
Dividend approved in respect of the previous year (note 10(b))	—	(10,780)	—	—	—	—	—	—	—	(7,384)	(18,164)	—	(18,164)
Profit for the year	—	—	—	—	—	—	—	—	—	11,179	11,179	—	11,179
Appropriations to statutory reserve	—	—	—	10,834	—	—	—	—	—	(10,834)	—	—	—
At 30 June 2008	58,661	239,811	3,083	14,274	63,947	28,612	14,427	3,272	19	500,027	926,133	—	926,133

26 Capital and reserves (Continued)

(b) The Company

	Share capital	Share premium	Share-based compensation reserve *(note (i))*	Exchange reserve *(note (iv))*	Contributed surplus *(note (vii))*	Capital contribution reserve *(note (vi))*	Capital redemption reserve *(note (viii))*	Accumulated losses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 July 2006	49,568	159,175	144	—	29,283	—	—	(14,214)	223,956
Exchange difference on translation of financial statements of the Company into RMB	—	—	—	(3,697)	—	—	—	—	(3,697)
Equity settled share-based transactions	—	—	3,065	—	—	—	—	—	3,065
Issue of shares upon conversion of convertible bonds	8,555	85,796	—	—	—	—	—	—	94,351
Dividend approved in respect of the previous year (note 10(b))	—	—	—	—	(19,274)	—	—	—	(19,274)
Loss for the year	—	—	—	—	—	—	—	(25,153)	(25,153)
At 30 June 2007	58,123	244,971	3,209	(3,697)	10,009	—	—	(39,367)	273,248
At 1 July 2007	58,123	244,971	3,209	(3,697)	10,009	—	—	(39,367)	273,248
Exchange difference on translation of financial statements of the Company into RMB	—	—	—	24,999	(2,625)	—	—	—	22,374
Issue of shares upon exercise of subscription rights attached to convertible bonds	186	1,655	—	—	—	—	—	—	1,841
Issue of share under share option scheme	371	4,107	(126)	—	—	—	—	—	4,352
Purchase and cancellation of own shares									
— par value paid	(19)	—	—	—	—	—	—	—	(19)
— premium paid	—	(123)	—	—	—	—	—	—	(123)
— transfer between reserves	—	(19)	—	—	—	—	19	—	—
Contributions by controlling shareholder	—	—	—	—	—	3,272	—	—	3,272
Dividend approved in respect of the previous year (note 10(b))	—	(10,780)	—	—	(7,384)	—	—	—	(18,164)
Loss for the year	—	—	—	—	—	—	—	(51,602)	(51,602)
At 30 June 2008	58,661	239,811	3,083	21,302	—	3,272	19	(90,969)	235,179

26 Capital and reserves (Continued)

(b) The Company (Continued)

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 28).*

(ii) *According to the relevant rules and regulations in the PRC, Gemini, Shuangxiang, Fuqiang 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.*

(iii) *The capital reserve of the Group represents:*

(a) *capital reserve of a subsidiary;*

(b) *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; and*

(c) *the amount of non-controlling interest as at acquisition date in excess of the fair value of the consideration paid directly recognised in equity.*

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

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

(vi) *The capital contribution reserve represents the difference between the fair value of the interest-free financial assistance provided by the controlling shareholder of the Company (see note 25) initially recognised in the financial statements and the nominal amount of cash received by the Group.*

(vii) *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.*

(viii) *The capital redemption reserve represents the nominal value of the shares repurchased which has been paid out of the distributable reserves of the Company.*

(ix) *For the year ended 30 June 2007, Fuqiang was 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 as stipulated by rules and regulations in the PRC. During the year ended 30 June 2007, the board of directors of Fuqiang determined that no appropriation was made to the general reserve fund and enterprise expansion fund.*

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 2008, the Company's reserves available for distribution to shareholders amounted to approximately RMB173,227,000 (2007: RMB215,125,000) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's Articles of Association.

26 Capital and reserves (Continued)

(c) Authorised and issued share capital

	The Group and the Company			
	2008		2007	
	Number of shares '000	Amount RMB'000	Number of shares '000	Amount RMB'000
Authorised:				
Ordinary shares of HK$0.10 each	1,000,000	106,000	1,000,000	106,000
Ordinary shares issued and fully paid:				
At 1 July	553,169	58,123	467,625	49,568
Issue of shares upon exercise of subscription rights attached to convertible bonds	2,000	186	—	—
Issue of shares upon conversion of convertible bonds	—	—	85,544	8,555
Issue of shares under share option scheme	4,000	371	—	—
Shares repurchased	(204)	(19)	—	—
At 30 June	558,965	58,661	553,169	58,123

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.

(i) Repurchase of own shares

During the year ended 30 June 2008, the Company repurchased its own ordinary shares on The Stock Exchange of Hong Kong Limited as follows:

	Number of shares repurchased	Price paid per share HK$	Lowest price paid per share HK$	Aggregate price paid RMB'000
Month/year				
April 2008	200,000	0.75	—	139
May 2008	4,000	0.74	—	3
	204,000			142

The repurchased shares were cancelled and accordingly the issued share capital of the Company was reduced by the nominal value of these shares. Pursuant to section 37(4) of the Companies Law (2007 Revision) of the Cayman Islands, an amount equivalent to the par value of the shares cancelled of RMB19,000 was transferred from the distributable reserves to the capital redemption reserve. The premium paid on the repurchase of the shares of RMB123,000 was charged to share premium.

26 Capital and reserves (Continued)

(c) Authorised and issued share capital (Continued)

(ii) Shares issued under share option scheme

During the year, options were exercised to subscribe for 4,000,000 ordinary shares in the Company at a consideration of RMB4,352,000 of which RMB371,000 was credited to share capital and the balance of RMB3,980,000 was credited to the share premium account. RMB126,000 has been transferred from the capital reserve to the share premium account in accordance with policy set out in note 1(n)(ii).

(iii) Shares issued upon exercise of subscription rights attached to convertible bonds

During the year, subscription rights attached to convertible bonds were exercised to subscribe 2,000,000 ordinary shares in the Company at a consideration of RMB1,841,000 of which RMB186,000 was credited to share capital and the balance of RMB1,655,000 was credited to the share premium account. As at 30 June 2008, all subscription rights attached to convertible bonds have been expired.

(iv) Share issued upon conversion of convertible bonds

On 19 July 2006, 85,544,000 ordinary shares of HK$0.1 each was issued upon the conversion of convertible bonds. The share capital and share premium of the Company were increased by approximately RMB8,555,000 and RMB85,796,000 respectively following the conversion during the year ended 30 June 2007.

(d) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

The Group monitors its capital structure on the basis of a net debt-to-capital ratio. For this purpose the Group defines net debt as total debt (which includes bank loans, obligations under finance leases, trade and other payables, derivative financial instruments and other long term payable) less cash and cash equivalents. Capital comprises all components of equity.

It is the Group's strategy to keep the net debt-to-capital ratio at a reasonable level. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

26 Capital and reserves (Continued)

(d) Capital management (Continued)

The net debt-to-capital ratio at 30 June 2008 and 2007 was as follows:

	Note	The Group 2008 RMB'000	The Group 2007 RMB'000	The Company 2008 RMB'000	The Company 2007 RMB'000
Bank loans	21	**283,822**	283,037	**99,022**	129,237
Obligations under finance leases	22	**3,101**	6,478	**—**	—
Trade and other payables	20	**162,810**	159,815	**14,337**	10,487
Derivative financial instruments	24	**165,067**	151,280	**165,067**	151,280
Other long term payable	25	**16,089**	—	**16,089**	—
Total debt		**630,889**	600,610	**294,515**	291,004
Less: Cash and cash equivalents	19	**(880,366)**	(728,432)	**(8,475)**	(50,122)
Net (cash)/debt		**(249,477)**	(127,822)	**286,040**	240,882
Total equity	26	**926,133**	886,787	**235,179**	273,248
Net debt-to-capital ratio		**N/A**	N/A	**122%**	88%

As imposed by a bank loan agreement between a bank and the Company, the Group is required to maintain the ratio of "consolidated gross borrowings" to "equity" not exceeding 100%. For the purpose of this capital requirement, "consolidated gross borrowings" is defined as the aggregate of secured and unsecured financial indebtedness of the Group, and "equity" is defined as the aggregate of the amount paid up or credited as paid up on the issued share capital (other than any redeemable share capital) of the Company.

Other than the above, neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

27 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 independent trustees. 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 profit or loss 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.

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.

(Expressed in Renminbi unless otherwise indicated)

28 Equity settled share-based transactions

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. The options vest immediately at the date of grant and are then exercisable within a period of three years. Each option gives the holder the right to subscribe for one ordinary share in the Company.

(a) The terms and conditions of the grants that existed during the year are as follows, whereby all options are settled by physical delivery of shares:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to consultants:			
— on 27 April 2005	4,000,000	Immediate at the date of grant	3 years
Options granted to employees:			
— on 4 September 2006	5,500,000	Immediate at the date of grant	3 years
Options granted to directors:			
— on 4 September 2006	6,500,000	Immediate at the date of grant	3 years
Total share options	16,000,000		

(b) The number and weighted average exercise prices of share options are as follows:

	2008		2007	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
Outstanding at 1 July 2007/2006	**HK$1.072**	**16,000,000**	HK$1.172	4,000,000
Granted during the year	**—**	**—**	HK$1.038	12,000,000
Exercised during the year	**HK$1.172**	**(4,000,000)**	—	—
Outstanding at 30 June 2008/2007	**HK$1.038**	**12,000,000**	HK$1.072	16,000,000
Exercisable at 30 June 2008/2007		**12,000,000**		16,000,000

The weighted average share price at the date of exercise for shares options exercised during the year was RMB1.604 (2007: RMB Nil).

The options outstanding at 30 June 2008 had an exercise price of RMB1.038 (2007: RMB1.072) and a weighted average remaining contractual life of 1.17 years (2007: 1.83 years).

(Expressed in Renminbi unless otherwise indicated)

28 Equity settled share-based transactions (Continued)

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is 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:

	Options granted on 27 April 2005	Options granted on 4 September 2006
Fair value at measurement date	HK$0.034091	HK$0.2554
Exercise price	HK$1.172	HK$1.038
Risk free rate	2.850%	3.933%
Nature of the share options	Call	Call
Expected life	3 years	3 years
Expected volatility	33.090%	37.659%
Expected dividend yield	6.000%	2.590%

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.

29 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 trade and other receivables. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

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.

Except for the financial guarantees given by the Company as set out in note 21(v), the Company does not provide any other guarantees which would expose the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in note 21(v).

29 Financial instruments (Continued)

(a) Credit risk (Continued)

For year ended 30 June 2008, the largest and the five largest customers of the Group in aggregate accounted for approximately 12% (2007: 24%) and 41% (2007: 54%) respectively of the Group's total sales. At 30 June 2008, approximately 1% (2007: 10%) and 36% (2007: 45%) of trade receivables was due from the largest and the five largest customers. As a result, a termination of the relationship or a reduction in orders from the five largest customers would have a material impact on the Group's results of operations and financial conditions. 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.

(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 adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's non-derivative financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay.

The Group

	2008					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Bank loans	283,822	295,793	264,757	31,036	—	—
Obligations under finance leases	3,101	3,260	2,741	519	—	—
Trade and other payables	162,810	162,810	162,810	—	—	—
Other long term payable	16,089	19,361	—	—	19,361	—
	465,822	481,224	430,308	31,555	19,361	—

	2007					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Bank loans	283,037	304,289	158,475	52,249	93,565	—
Obligations under finance leases	6,478	7,029	3,438	3,019	572	—
Trade and other payables	159,815	159,815	156,700	3,115	—	—
	449,330	471,133	318,613	58,383	94,137	—

29 Financial instruments (Continued)

(b) Liquidity risk (Continued)

The Company

	2008					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Bank loans	99,022	103,478	103,478	—	—	—
Other payables	14,337	14,337	14,337	—	—	—
Other long term payable	16,089	19,361	—	—	19,361	—
	129,448	137,176	117,815	—	19,361	—

	2007					
	Carrying amount RMB'000	Total contractual undiscounted cash flow RMB'000	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000
Bank loans	129,237	141,994	29,106	50,359	62,529	—
Other payables	10,487	10,487	10,487	—	—	—
	139,724	152,481	39,593	50,359	62,529	—

Under the Deed executed by the CS (see note 25), the Group's liquidity risk arising from the Swaps (see note 24) is fully covered.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans, obligations under finance leases, fixed deposits and the Swaps (see note 24). Bank loans and obligations under finance leases issued at variable rates and at fixed rates expose the Group to cash flow interest rate risk and fair value interest rate risk respectively. The Group's interest rate profile of the non-derivative financial instruments as monitored by management is set out in (i) below.

29 Financial instruments (Continued)

(c) Interest rate risk (Continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's and the Company's net borrowings (being interest-bearing borrowings less cash and cash equivalents and fixed deposits maturing over three months) at the balance sheet date.

	The Group				The Company			
	2008		2007		2008		2007	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Net fixed rate borrowings:								
Bank loans	8.19	53,800	6.66	113,800	—	—	—	—
Less: Fixed deposits maturing over three months	—	—	4.30	(75,660)	—	—	4.30	(75,660)
		53,800		38,140		—		(75,660)
Net variable rate borrowings:								
Obligations under finance leases	4.77	3,101	6.90	6,478	—	—	—	—
Bank loans	6.15	230,022	6.80	169,237	4.50	99,022	6.97	129,237
Less: Pledged deposits	0.72	(4,307)	—	—	—	—	—	—
Less: Cash and cash equivalents	0.72	(880,366)	0.95	(728,432)	0.36	(8,475)	3.73	(50,122)
Total net (deposits)/ borrowings		(651,550)		(552,717)		90,547		79,115
Net fixed rate borrowings as a percentage of total net borrowings		N/A		N/A		0%		N/A

As disclosed in note 24, the Company entered into the Swaps with the Bank in 2007. The aggregate fair value of the Swaps as at 30 June 2008 was RMB165,067,000 (2007: RMB151,280,000) and these are recognised as derivative financial instruments (liabilities) in the balance sheets.

29 Financial instruments (Continued)

(c) Interest rate risk (Continued)

(ii) Sensitivity analysis

The Group's sensitivity to interest rate risk at each balance sheet date while all other variables were held constant is as follows:

	2008 RMB'000	2007 RMB'000
Increase/(decrease) in profit for the year if interest rate has been 100 basis points higher:		
— for net variable rate borrowings	**(1,960)**	(1,279)
— for the Swaps (note 24)	**3,352**	3,455
	1,392	2,176
Increase/(decrease) in profit for the year if interest rate has been 100 basis points lower:		
— for net variable rate borrowings	**1,960**	1,279
— for the Swaps (note 24)	**96**	6,709
	2,056	7,988

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the balance sheet date and had been applied to the exposure to interest rate risk for both derivative and non-derivative financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual balance sheet date. The analysis is performed on the same basis for 2007.

Apart from the changes in interest rate, the fair value of the Swaps will be significantly affected by the applicable interest rate curve, the applicable interest rate curve projections, the volatility and correlation of applicable interest rate market and the market expectations of the forward rates of the underlying composites. The management of the Group monitors regularly the risks of the Swaps and will consider terminating the risk exposure should the need arise. It is not practicable without undue delay and cost to estimate how profit of the Group would have been affected by changes in each of these risk variable that were reasonably possible as at 30 June 2008. However, it is reasonably expected that such effects on profit of the Group would be significant.

(d) Currency risk

(i) The Group is exposed to currency risk primarily through sales and purchases and certain financial assets and liabilities that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily Euros, United States dollars and Hong Kong dollars.

29 Financial instruments (Continued)

(d) Currency risk (Continued)

(ii) Exposure to currency risk

The following table details the Group's and the Company's exposure at the balance sheet date to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

The Group

	2008			2007		
	United States Dollars '000	Euros '000	Hong Kong dollars '000	United States Dollars '000	Euros '000	Hong Kong dollars '000
Trade and other receivables	3,438	294	2,131	4,843	395	160
Fixed deposits	—	—	—	10,000	—	—
Cash and cash equivalents	772	79	603	3,124	—	847
Trade and other payables	(398)	(45)	(1,640)	(420)	(153)	(4,011)
Bank loans	(14,431)	—	—	(17,081)	—	—
Other long term payable	(1,924)	—	—	—	—	—
Overall net exposure	(12,543)	328	1,094	466	242	(3,004)

The Company

	2008			2007		
	United States Dollars '000	Euros '000	Hong Kong dollars '000	United States Dollars '000	Euros '000	Hong Kong dollars '000
Fixed deposits	—	—	—	10,000	—	—
Cash and cash equivalents	206	—	—	2,683	—	—
Bank loans	(14,431)	—	—	(17,081)	—	—
Other long term payable	(1,924)	—	—	—	—	—
Overall net exposure	(16,149)	—	—	(4,398)	—	—

29 Financial instruments (Continued)

(d) Currency risk (Continued)

(iii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) and other components of consolidated equity in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the balance sheet date. The sensitivity analysis includes balances between the group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

The Group

	2008			2007		
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits RMB'000	Effect on other components of equity RMB'000
United States Dollars	10%	(2,059)	—	10%	3,198	—
	(10)%	2,059	—	(10)%	(3,198)	—
Euros	10%	291	—	10%	229	—
	(10)%	(291)	—	(10)%	(229)	—
Hong Kong Dollars	10%	99	—	10%	(237)	—
	(10)%	(99)	—	(10)%	237	—

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the balance sheet date and had been applied to each of the Group's entities' exposure to currency risk for both derivative and non-derivative financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual balance sheet date. Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' profit after tax and equity measured in the respective functional currencies, translated into Renminbi at the exchange rate ruling at the balance sheet date for presentation purposes. The analysis is performed on the same basis for 2007.

(e) Fair values

All financial instruments are carried at amounts not materially different from their fair values as at 30 June 2008 and 2007.

(f) Reliance on major suppliers

For year ended 30 June 2008, the largest and the five largest suppliers of the Group in aggregate accounted for approximately 12% (2007: 27%) and 55% (2007: 66%) respectively of the Group's total purchases, evidencing a significant reliance on the Group's largest supplier for the year ended 30 June 2008. The Group maintains several vendors for each major supply in order to diversify its vendor base. During the years ended 30 June 2008 and 2007, the Group had not encountered any material disruption of supply of raw materials and components used in the Group's manufacture of PCBs.

30 Commitments

(a) Capital commitments outstanding at 30 June 2008 not provided for in the financial statements were as follows:

	The Group	
	2008	2007
	RMB'000	RMB'000
Contracted for	**35,393**	48,301
Authorised but not contracted for	**52,978**	52,166
	88,371	100,467

(b) At 30 June 2008, the total future minimum lease payments in respect of buildings under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2008	2007	**2008**	2007
	RMB'000	RMB'000	**RMB'000**	RMB'000
Within 1 year	**1,441**	520	**—**	—
After 1 year but within 5 years	**430**	—	**—**	—
	1,871	520	**—**	—

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.

(c) At 30 June 2008, a subsidiary of the Company is required to inject capital of RMB37,389,000 (equivalent to US$5,449,000 (2007: RMB88,468,000 (equivalent to US$11,693,000))) into a wholly owned subsidiary of that subsidiary in the PRC.

31 Accounting estimates and judgments

Key sources of estimation uncertainty

Notes 24, 28 and 29 contain information about the assumptions and their risk factors relating to fair value of the Swaps, share options granted and financial instruments. Other key sources of estimation uncertainty are as follows:

Impairment of assets

The Group reviews the carrying amounts of the assets at each balance sheet date to determine whether there is objective evidence of impairment. When indication of impairment is identified, management prepares discounted future cashflow to assess the differences between the carrying amount and value in use and provided for impairment loss. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision of impairment loss and affect the net asset value of the Group and the Company.

Impairment loss for bad and doubtful debts are assessed and provided based on the management's regular review of ageing analysis and evaluation of collectibility. A considerable level of judgement is exercised when assessing the credit worthiness and past collection history of each individual customer.

An increase or decrease in the above impairment loss would affect the results of the Group and the Company in future years.

Provision for inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at lower of cost and net realisable value as in accordance with accounting policy as set out in note 1(i). Management estimates the net realisable value based on current market situation and historical experience on similar inventories. Any change in the assumptions would increase or decrease the amount of inventories write-down or the related reversals of write-down made in prior years and affect the Group's net asset value.

Valuation of buildings held for own use

As described in note 13(c), the buildings held for own use were revalued by independent professional valuers on an open market value basis at the balance sheet date. Such valuations are based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. Any increase or decrease in the valuations would affect the net asset value and the results of the Group in future years.

Recognition of deferred tax assets

Recognition of deferred tax assets, which principally relates to deductible temporary differences and tax losses, depends on whether it is probable that future taxable profits or taxable temporary differences will be available against which deferred tax assets can be utilised. In cases where the actual future taxable profits or taxable temporary differences generated are less than expected, a reversal of deferred tax assets may arise, which will be recognised in profit or loss for the period in which such a reversal takes place.

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.

32 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	
	Note	**2008**	2007
		RMB'000	RMB'000
Lease rental charged by He Yu Zhu	*(i)*	**277**	343
Remuneration for key management personnel	*(ii)*		
— short-term employee benefits		**4,024**	3,339
— equity settled shared-based payments		**—**	3,065

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) Remuneration for key management personnel includes amounts paid to the Company's directors as disclosed in note 7. Total remuneration is included in staff costs (see note 5(b)).

33 Post balance sheet events

After the balance sheet date, the directors proposed a final dividend. Further details are disclosed in note 10.

34 Comparative figures

As a result of adopting HKFRS 7, *Financial instruments: Disclosures*, and the amendments to HKAS 1, *Presentation of financial statements: Capital disclosures*, certain comparative figures have been adjusted to conform with changes in disclosures in the current year and to show separately comparative amounts in respect of items disclosed for the first time in the current financial year. Further details of these developments are disclosed in note 2.

35 Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 30 June 2008

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 30 June 2008 and which have not been adopted in these financial statements.

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 is unlikely to have a significant impact on the Group's results of operations and financial position.

In addition, the following developments may result in new or amended disclosures in the financial statements:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1 January 2009
Revised HKAS 1	Presentation of financial statements	1 January 2009

Financial Summary

	Years ended 30th June				
	2008 RMB'000	2007 RMB'000	2006 RMB'000	2005 RMB'000	2004 RMB'000 (restated)
RESULTS					
Turnover	**564,317**	695,936	525,953	369,787	301,255
Profit from operations	**117,603**	191,917	162,551	112,289	107,716
Finance costs	**(81,833)**	(49,962)	(33,239)	(8,787)	(7,043)
Share of results of associates	**—**	—	—	6,655	2,683
Loss on disposal of associates	**—**	—	—	(5,065)	—
Profit from ordinary activities before taxation	**35,770**	141,955	129,312	105,092	103,356
Taxation	**(24,591)**	(23,695)	(21,225)	(18,274)	(14,700)
Profit from ordinary activities after taxation	**11,179**	118,260	108,087	86,818	88,656
Attributable to:					
Equity shareholders of the Company	**11,179**	115,085	101,816	80,427	81,214
Minority interests	**—**	3,175	6,271	6,391	7,442
	11,179	118,260	108,087	86,818	88,656
Dividends	**1,977**	18,838	19,942	17,349	17,349
ASSETS AND LIABILITIES					
Property, plant and equipment	**390,299**	358,242	331,957	193,529	107,653
Interest in associates	**—**	—	—	—	50,410
Other non-current assets	**46,111**	32,688	22,811	14,681	91,358
Net current assets	**542,889**	635,815	383,386	519,729	348,934
Total assets less current liabilities	**979,299**	1,026,745	738,154	727,939	598,355
Convertible bonds	**—**	—	—	(69,228)	—
Other non-current liabilities	**(53,166)**	(139,958)	(36,878)	(36,217)	(57,876)
	926,133	886,787	701,276	622,494	540,479
EQUITY					
Share capital	**58,661**	58,123	49,568	49,568	49,568
Reserves	**867,472**	828,664	620,465	547,078	456,704
Minority interests	**—**	—	31,243	25,848	34,207
	926,133	886,787	701,276	622,494	540,479
Earnings per share					
— basic	**RMB2 cents**	RMB21 cents	RMB22 cents	RMB17 cents	RMB19 cents
— diluted	**RMB2 cents**	RMB20 cents	RMB21 cents	RMB17 cents	RMB19 cents