THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this composite document or the general offer contained herein, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold all your shares in Sinotronics Holdings Limited, you should at once hand this document and the accompanying forms to the purchaser or to the licensed securities dealer or registered institution in securities or other agent through whom the sale was effected for transmission to the purchaser.

SINOTRONICS HOLDINGS LIMITED
華翔微電子控股有限公司*
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1195)

UNION DAY GROUP LIMITED
朝聯集團有限公司
(Incorporated in British Virgin Islands with limited liability)

COMPOSITE DOCUMENT RELATING TO MANDATORY CONDITIONAL GENERAL CASH OFFER BY YU MING INVESTMENT MANAGEMENT LIMITED ON BEHALF OF UNION DAY GROUP LIMITED FOR ALL ISSUED SHARES OF SINOTRONICS HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY UNION DAY GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial adviser to Union Day Group Limited

禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

Independent financial adviser to the independent board committee and the independent shareholders of Sinotronics Holdings Limited

PELICAN FINANCIAL
Pelican Securities Limited

A letter from the board of Sinotronics Holdings Limited is set out on pages 6 to 10 of this composite document. A letter from Yu Ming Investment Management Limited containing, among other things, details of the terms of the general offer is set out on pages 11 to 16 of this composite document.

A letter from the independent board committee of Sinotronics Holdings Limited to the independent shareholders of Sinotronics Holdings Limited is set out on page 17 of this composite document. A letter of advice from Pelican Securities Limited containing its opinion and advice to the independent board committee and independent shareholders of Sinotronics Holdings Limited is set out on pages 18 to 30 of this composite document.

The procedures for acceptance and settlement of the general offer are set out in Appendix I of this composite document and in the accompanying form of acceptance. Acceptances of the general offer for the shares of Sinotronics Holdings Limited must be received by Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong by no later than 4:00 p.m. on Wednesday, 6th January, 2010, or such later time as Union Day Group Limited may determine and announce in accordance with the Hong Kong Code on Takeovers and Mergers.

* *for identification purposes only*

16th December, 2009

CONTENT

The timetable set out below is indicative only and any changes to the timetable will be announced by the Offeror.

General Offer opens for acceptances . . . . Wednesday, 16th December, 2009

Latest time and date for acceptance of
the General Offer on the First
Closing Date *(Note 1)* . . . . 4:00 p.m. on Wednesday, 6th January, 2010

First Closing Date . . . . Wednesday, 6th January, 2010

Announcement on the results of the General Offer
as at the First Closing Date to be posted
on the Stock Exchange's website *(Note 1)* . . . . not later than 7:00 p.m.
on Wednesday, 6th January, 2010

Latest date for posting of remittances for amounts
due under the General Offer in respect of
valid acceptances received on or before 4:00 p.m.
on the First Closing Date *(Note 2)* . . . . Friday, 15th January, 2010

Notes:

1. The latest time for receipt of acceptances under the General Offer, which is conditional as to acceptances, will be 4:00 p.m. on Wednesday, 6th January, 2010 unless the Offeror revises or extends the General Offer in accordance with the Takeovers Code. The Offeror will issue an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date, stating the results of the General Offer and whether the General Offer has been revised or extended, has expired or has become or even declared unconditional. In any announcement of an extension of the General Offer, either the next closing date must be stated or, if the General Offer is unconditional as to acceptance, a statement may be made that the General Offer will remain open until further notice. In any event, where the General Offer becomes or is declared unconditional, the General Offer will remain open for acceptance for not less than 14 days thereafter in accordance with the Takeovers Code.

2. Remittances in respect of the cash consideration (after deducting seller's ad valorem stamp duty) payable for the Shares tendered under the General Offer will be posted to the Independent Shareholders accepting the General Offer by ordinary post at their own risk as soon as possible, but in any event within 10 days of the later of the date of receipt by the Registrar of duly completed acceptance, or the date when the General Offer becomes or is declared unconditional.

3. Acceptance of the General Offer shall be irrevocable and not be capable of being withdrawn, except permitted under the Takeovers Code. Please refer to paragraph headed "Right of Withdrawal" in Appendix I to this Composite Document for further information on the circumstances when the General Offer maybe granted a right of withdrawal.

All references to date and time contained in this Composite Document refer to Hong Kong time.

In this composite document, unless the context otherwise requires, the following expressions have the following meanings:

"Accepting Shareholder(s)"	shareholder(s) who accept(s) the General Offer pursuant to the terms set out in this Composite Document;
"acting in concert"	shall have the meaning set out in the Takeovers Code;
"Action"	the action by Deutsche Bank AG against the Company under the action number HCA 917 of 2009 in the High Court of Hong Kong, including the claim under the Writ;
"Announcement Date"	25th November, 2009, being the date of the Joint Announcement;
"associate(s)"	shall have the meaning set out in the Takeovers Code;
"Board"	the board of directors of the Company;
"business day"	a day on which the Stock Exchange is open for the transaction of business;
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited;
"Company"	Sinotronics Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Main Board of the Stock Exchange;
"Composite Document"	this composite offer document jointly issued by the Company and the Offeror;
"Director(s)"	the director(s) of the Company;
"Deed of Indemnity"	the deed of indemnity dated 12th December, 2007 executed by Mr. Lin in favour of the Company in which Mr. Lin agreed to perform the interest payment obligation of the Company under the Swap Agreements and is obliged 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 obligation;
"Excluded Shareholder(s)"	Overseas Shareholder(s) in respect of whom the Directors, based on legal advice, consider it necessary or expedient not to offer the Open Offer Shares on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place;

"Executive"	the executive director of the corporate finance division of the Securities and Futures Commission of Hong Kong or any of his delegates;
"First Closing Date"	Wednesday, 6th January, 2010, being the first closing date of the General Offer, which is 21 days after the date when the General Offer commences to open for acceptance;
"Form(s) of Acceptance"	the accompanying form(s) of acceptance and transfer in respect of the General Offer;
"General Offer"	the mandatory conditional general cash offer made by Yu Ming on behalf of the Offeror to acquire all the Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it;
"General Offer Price"	the offer price of HK$0.18 under the General Offer;
"General Offer Share(s)"	issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it during the Offer Period;
"Group"	the Company and its subsidiaries;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Independent Board Committee"	the independent board committee of the Company comprising Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen in respect of the General Offer;
"Independent Shareholder(s)"	Shareholder(s) other than the Offeror and parties acting in concert with it;
"Interest Rate Swaps"	the two 5-year interest rate swaps with a notional amount of HK$390,000,000 and US$100,000,000, the terms of which are set out in the Swap Agreements, involving semi-annual net exchange of interest payments between the Company and Deutsche Bank AG;
"Joint Announcement"	the joint announcement issued by the Company and the Offeror on 25th November, 2009 in respect of the General Offer;
"Last Trading Day"	20th November, 2009, being the last full trading day before trading of the Shares was suspended pending the publication of the Joint Announcement;

"Latest Practicable Date"	14th December, 2009, being the latest practicable date prior to the printing of this Composite Document for the purpose of ascertaining certain information contained in this Composite Document;
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange;
"Mr. Lin"	Mr. Lin Wan Qaing, a former controlling Shareholder of the Company holding 230,131,780 Shares (representing approximately 41.17% of the issued share capital of the Company as at the Latest Practicable Date) prior to the completion of the Placing;
"Offer Period"	shall have the meaning set out in the Takeovers Code;
"Offeror"	Union Day Group Limited, a company incorporated in the British Virgin Islands with limited liability, holding 230,131,780 Shares, representing approximately 41.17% of the issued share capital of the Company as at the Latest Practicable Date. Mr. Sze Ming Yee is the ultimate beneficial owner of the Offeror;
"Open Offer"	the open offer announced by the Company on 17th November, 2009 on the basis of 1 Open Offer Share for every 2 Shares held by the Qualifying Shareholders on the Record Date;
"Open Offer Announcement"	the announcement of the Company dated 17th November, 2009 relating to, inter alia, the update on the Writ, resignation of executive Director and the Open Offer;
"Open Offer Prospectus"	the prospectus dated 8th December, 2009 issued by the Company in respect of the Open Offer;
"Open Offer Share(s)"	new Share(s) to be issued under the Open Offer;
"Overseas Shareholder(s)"	Shareholder(s) whose addresses, as shown on the register of members of the Company on the Record Date, are outside Hong Kong;
"party(ies) acting in concert"	has the same meaning set out in the Takeovers Code;
"Pelican Securities"	Pelican Securities Limited, a corporation licensed under the SFO to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the General Offer;

"Placing"	the placing of 230,131,780 Shares to the Offeror by Mr. Lin which was completed on 23rd November, 2009;
"PRC"	the People's Republic of China;
"Qualifying Shareholders"	the Shareholders whose names appear on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s);
"Record Date"	7th December, 2009, being the time and date by reference to which entitlements of the Qualifying Shareholders to subscribe for the Open Offer Shares are to be determined;
"Registrar"	Hong Kong Registrars Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong;
"Relevant Period"	the period from 25th May, 2009, being the date falling six months before the date of the Joint Announcement up to and including the Latest Practicable Date;
"RMB"	Renminbi, the lawful currency of PRC;
"Sale Shares"	230,131,780 Shares beneficially owned by Mr. Lin prior to the completion of the Placing;
"Settlement Agreement"	the settlement agreement dated 16th November, 2009 entered into by the Company, Deutsche Bank AG and one of the employees of Deutsche Bank AG against whom the Company lodged a counter claim;
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company;
"Shareholder(s)"	holder(s) of the Share(s);
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Sub-Underwriters"	the Offeror and Mr. Zhan Hong Wei, sub-underwriting 169,482,500 Shares and 110,000,000 Shares under the Open Offer respectively. Mr. Zhan Hong Wei is a party acting in concert (with the meaning ascribed to it under the Takeovers Code) with the Offeror;

"Sub-underwriting Agreements"	Sub-underwriting Agreements dated 16th November, 2009 entered into between the Underwriter and the Sub-Underwriters to sub-underwrite the Open Offer Shares;
"Swap Agreements"	the structured interest rate swap agreements entered into by the Company with Deutsche Bank AG on 8th February, 2007 and 11th April, 2007 respectively;
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers;
"Title Document(s)"	the relevant Share certificate(s) and/or transfer receipt(s) and/or any document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof);
"Underwriter"	Upbest Securities Company Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed under the SFO to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management);
"Writ"	the writ of summons dated 31st March, 2009 filed by Deutsche Bank AG as plaintiff and the Company as defendant in a claim arising from the Swap Agreements;
"Yu Ming"	Yu Ming Investment Management Limited, a company incorporated in Hong Kong with limited liability and a corporation licensed under the SFO to carry out regulated activities of type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management), being the financial adviser to the Offeror;
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong;
"%"	per cent.

(The exchange rate used for the purpose of this Composite Document is at RMB1 = HK$1.1352)

SINOTRONICS HOLDINGS LIMITED

華翔微電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

Executive Directors:
Lin Wan Xin
Xiang Song
Hu Zhao Rui
Tu Shuguang
Chan Kin

Independent Non-Executive Directors:
Pan Chang Chi
Cai Xun Shan
Cheung Chuen

Registered office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Room 1805, 18th Floor
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

16th December, 2009

To the Independent Shareholders,

Dear Sir or Madam,

MANDATORY CONDITIONAL GENERAL CASH OFFER BY YU MING INVESTMENT MANAGEMENT LIMITED ON BEHALF OF UNION DAY GROUP LIMITED FOR ALL ISSUED SHARES OF SINOTRONICS HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY UNION DAY GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

On 25th November, 2009, the Offeror and the Company jointly announced that following completion of the Placing on 23rd November, 2009, the Offeror has become interested in 230,131,780 Shares, representing approximately 41.17% of the total issued share capital of the Company as at the Latest Practicable Date.

* *for identification purposes only*

Accordingly, the Offeror is required to make a mandatory conditional general cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

The purpose of this Composite Document is to provide you with, among other things, information about the Company, the terms of the General Offer, the letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders and the letter from Pelican Securities containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the General Offer.

MANDATORY CONDITIONAL GENERAL OFFER

Yu Ming, financial adviser to the Offeror, is making the General Offer on behalf of the Offeror in compliance with the Takeovers Code, on the following terms and subject to the conditions set out further below in Appendix I of this Composite Document and the accompanying Form of Acceptance:

For every General Offer Share. . . . . HK$0.18 in cash

The General Offer Price of HK$0.18 represents:

(i) a discount of approximately 25.93% to the closing price of HK$0.243 per Share (adjusted as a result of the Open Offer) as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 37.35% to the average closing price of HK$0.287 per Share (adjusted as a result of the Open Offer) for the 10 trading days up to and including the Last Trading Day;

(iii) a discount of approximately 40.46% to the average closing price of HK$0.302 per Share (adjusted as a result of the Open Offer) for the 30 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 61.29% to the closing price of HK$0.465 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 86.05% to the audited consolidated net asset value per Share of approximately HK$1.29 as at 30th June, 2009 calculated based on the net asset value of the Company of RMB 634,465,000 (approximately HK$720,245,000) and 558,965,000 Shares in issue as at the date of the Latest Practicable Date.

Open Offer Shares

The Company has despatched the Open Offer Prospectus on 8th December, 2009 to implement the Open Offer on the basis of 1 Open Offer Share for every 2 Shares held by the Qualifying Shareholders on the Record Date. As at the Latest Practicable Date, the Company has 558,965,000 Shares in issue. The Open Offer is fully underwritten by the Underwriter and Sub-Underwriters.

The Offeror has undertaken to the Company that it will take up its entitlement under the Open Offer in full. Upon completion of the Open Offer, an additional 279,482,500 Open Offer Shares will be issued, amongst which 164,416,610 Shares will be subject to acceptance by the Qualifying Shareholders save for Open Offer Shares the Offeror and parties acting in concert with it are entitled. It is expected that the Open Offer Shares will be issued before the completion of the General Offer. Therefore, the General Offer will be extended to the Open Offer Shares not held or agreed to be subscribed by the Offeror and parties acting in concert with it.

HIGHEST AND LOWEST SHARE PRICES

The highest and lowest closing prices of the Shares (adjusted as a result of the Open Offer) as quoted on the Stock Exchange during the Relevant Period were HK$0.5 on 4th December, 2009 and HK$0.243 on 20th November, 2009 respectively.

INFORMATION ON THE COMPANY

The Company was incorporated in the Cayman Islands with limited liability and engaged in the manufacturing and selling of PCBs, PCBs assembling products and providing mount technology processing service.

SHAREHOLDING STRUCTURE OF THE COMPANY

The Offeror has undertaken to the Company that it will take up its entitlement in full under the Open Offer. The Shareholding structure of the Company before and upon completion of the Open Offer and Shares to be subject to the General Offer will be as follows:

Shareholder	**As at the Latest Practicable Date**		**Immediately After completion of the Open Offer (assuming all Open Offer Shares will be taken up by the Qualifying Shareholders)**		**Immediately after completion of the Open Offer (assuming no Open Offer Shares will be taken up by the Qualifying Shareholders other than the Offeror)**	
	Shares	*%*	*Shares*	*%*	*Shares*	*%*
The Offeror	230,131,780	41.17%	345,197,670	41.17%	345,197,670	41.17%
Sub-Underwriters *(Note 1)*						
Mr. Zhan Hong Wei	—	0.00%	—	0.00%	110,000,000	13.12%
The Offeror *(Note 2)*	—	0.00%	—	0.00%	54,416,610	6.49%
Subtotal of the Offeror and parties acting in concert with it	**230,131,780**	**41.17%**	**345,197,670**	**41.17%**	**509,614,280**	**60.78%**
Atlantis Investment Management Limited	45,000,000	8.05%	67,500,000	8.05%	45,000,000	5.37%
Other Shareholders	283,833,220	50.78%	425,749,830	50.78%	283,833,220	39.22%
Public subtotal	**328,833,220**	**58.83%**	**493,249,830**	**58.83%**	**328,833,220**	**39.22%**
Total	558,965,000	100.00%	838,447,500	100.00%	838,447,500	100.00%

Notes:

(1) The Offeror and Mr. Zhan Hong Wei are the Sub-Underwriters for the Open Offer on a fully underwritten basis. Mr. Zhan Hong Wei is a party acting in concert with the Offeror.

(2) The sub-underwriting obligation of the Offeror under the Sub-underwriting Agreements for the Open Offer includes underwriting of 169,482,500 Open Offer Shares. Subsequent to the Sub-underwriting Agreements, Mr. Lin placed his entire shareholding to the Offeror. The Offeror has given irrevocable undertaking to the Company to take up all of its entitlement under the Open Offer. Upon deduction of the Offeror's entitlement under the Open Offer as a Qualifying Shareholder, the underwriting obligation of the Offeror under the Sub-underwriting Agreement will be reduced to 54,416,610 Open Offer Shares.

As at the Latest Practicable Date, (i) other than the Shares, the Company does not have any other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares, and (ii) the Offeror and the parties acting in concert with it do not own or control any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company other than those disclosed above.

INTENTION OF THE OFFEROR ON THE GROUP

Your attentions is drawn to the paragraph headed "Offeror's intention on the Group and the listing status" in the section headed "Letter from Yu Ming" on page 14 of this Composite Document. The Board has noted the intentions of the Offeror in respect of the Company and its employees and will co-operate with and support the Offeror on a reasonable basis for the smooth running of the business of the Group.

GENERAL

Pursuant to Rule 2.8 of the Takeovers Code, the Independent Board Committee shall comprise all non-executive directors of the Company who have no direct or indirect interest in the General Offer (other than as Shareholders).

Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen, being independent non-executive Directors, have been appointed as members of the Independent Board Committee for consideration of and making of recommendations to the Independent Shareholders in respect of the terms of the General Offer. Pelican Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the General Offer.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 17 of this Composite Document which contains its recommendation to the Independent Shareholders in respect of the General Offer and the letter from Pelican Securities set out on pages 18 to 30 of this Composite Document which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the fairness and reasonableness of the General Offer, and the principal factors and reasons it has considered before arriving at its advice. You are also advised to read this Composite Document and the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the General Offer.

ADDITIONAL INFORMATION

In considering what action to take in connection with the General Offer, the Independent Shareholders should consider their own tax position and, if they are in doubt, they should consult their own professional advisers.

Your attention is also drawn to the information set out in other appendices to this Composite Document.

Yours faithfully
For and on behalf of the Board
SINOTRONICS HOLDINGS LIMITED
Lin Wan Xin
Chairman

禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

16th December, 2009

To the Independent Shareholders,

Dear Sir or Madam,

MANDATORY CONDITIONAL GENERAL CASH OFFER BY YU MING INVESTMENT MANAGEMENT LIMITED ON BEHALF OF UNION DAY GROUP LIMITED FOR ALL ISSUED SHARES OF SINOTRONICS HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY UNION DAY GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

On 25th November, 2009, the Offeror and the Company jointly announced that following completion of the Placing on 23rd November, 2009, the Offeror has become interested in 230,131,780 Shares of the Company, representing approximately 41.17% of the total issued share capital of the Company as at the Latest Practicable Date.

Accordingly, the Offeror is required to make a mandatory conditional general cash offer for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it pursuant to Rule 26.1 of the Takeovers Code.

This letter sets out, amongst other things, the principal terms of the General Offer, together with the information on the Offeror and the Offeror's intention regarding the Company. Further details of the General Offer are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

MANDATORY CONDITIONAL GENERAL OFFER

We are making the General Offer on behalf of the Offeror in compliance with the Takeovers Code, on the following terms and subject to the conditions set out below and in Appendix I of this Composite Document together with the accompanying Form of Acceptance:

For every General Offer Share . . . . HK$0.18 in cash

The General Offer Price of HK$0.18 represents:

(i) a discount of approximately 25.93% to the closing price of HK$0.243 per Share (adjusted as a result of the Open Offer) as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 37.35% to the average closing price of HK$0.287 per Share (adjusted as a result of the Open Offer) for the 10 trading days up to and including the Last Trading Day;

(iii) a discount of approximately 40.46% to the average closing price of HK$0.302 per Share (adjusted as a result of the Open Offer) for the 30 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 61.29% to the closing price of HK$0.465 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and

(v) a discount of approximately 86.05% to the audited consolidated net asset value per Share of approximately HK$1.29 as at 30th June, 2009 calculated based on the net asset value of the Company of RMB 634,465,000 (approximately HK$720,245,000) and 558,965,000 Shares in issue as at the date of the Latest Practicable Date.

Value of the General Offer

Based on 328,833,220 General Offer Shares as at the Latest Practicable Date, the total consideration of the General Offer amounts to approximately HK$59,189,980. Based on 493,249,830 General Offer Shares upon completion of the Open Offer, which is on a fully underwritten basis, the total consideration of the General Offer amounts to approximately HK$88,784,970.

Confirmation of financial resources

The Offeror and parties acting in concert with it will use their internal resources to implement the General Offer. Yu Ming is satisfied that sufficient financial resources are available to the Offeror and parties acting in concert with it for the full implementation of the General Offer.

Condition of the General Offer

The General Offer will be subject to the Offeror having received acceptances in respect of voting rights which, together with voting rights acquired or agreed to be acquired by it and parties acting in concert with it before or during the General Offer, will result in the Offeror and parties acting in concert with it holding more than 50% of the voting rights in the Company as at the First Closing Date.

As set out in the "Letter from the Board", assuming none of the Qualifying Shareholders takes up their respective entitlement under the Open Offer, the Offeror and parties acting in concert with it will hold, as a result of the sub-underwriting obligation under the Sub-Underwriting Agreements, approximately 60.78% of the total issued share capital of the Company, in which case the General Offer will become unconditional. Separate announcement will be made by the Company in this respect in due course.

Effect of accepting the General Offer

By accepting the General Offer, the Independent Shareholders will sell their Shares fully-paid and free from all liens, charges, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached to them or subsequently becoming attached to them (for the General Offer Shares, including all dividends and distributions declared, on or after the Announcement Date).

Payment

Payment in cash in respect of the acceptances of the General Offer will be made within 10 days of the date on which the relevant documents of title are received by the Offeror to render each such acceptance complete and valid or when the General Offer has become or declared unconditional, whichever is the later.

Stamp Duty

Seller's ad valorem stamp duty for the Shares arising in connection with acceptances of the General Offer payable by the relevant Shareholders at the rate of HK$1 for every HK$1,000 or part thereof of the market value of the Shares to be acquired by the Offeror under the General Offer or the consideration payable by the Offeror in respect of relevant acceptances of the General Offer, whichever is the higher, will be deducted from the cash amount due to such Shareholders under the General Offer.

Other Arrangements

There has been no arrangement in relation to the Shares which might be material to the General Offer. There has been no agreement or arrangements to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a precondition or a condition to the General Offer.

Overseas Shareholders

As the General Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are resident, Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the General Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the General Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the British Virgin Islands with limited liability on 9th January, 2008. The Offeror is wholly and beneficially owned by Mr. Sze Ming Yee. The Offeror has not carried out any business other than the acquisition of the Sale Shares. Mr. Sze Ming Yee has more than 15 years experience in property development and investment and is currently engaged in property development primarily in the PRC and primarily in Wenzhou. He also invests in securities in the PRC. He is a postgraduate student of Zhejiang University. Mr. Sze has acquainted Mr. Zhan Hong Wei, one of the Sub-Underwriters and a party acting in concert with the Offeror, through normal business contacts.

Other than the Placing and the Sub-underwriting Agreements for the Open Offer, the Offeror and parties acting in concert with it have not (i) dealt in the Shares during the Relevant Period, (ii) entered into any contracts in relation to the outstanding derivatives in respect of securities in the Company, (iii) received an irrevocable commitment to accept or reject the General Offer; (iv) borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

Compulsory Acquisition

The Offeror and parties acting in concert with it do not intend to exercise any right which may be available to them to acquire compulsorily any outstanding issued Shares not acquired under the General Offer after the close of the General Offer.

OFFEROR'S INTENTION ON THE GROUP AND THE LISTING STATUS

The Offeror intends that the Group will continue its existing principal activities after the close of the General Offer. Given the competitive environment in the electronic manufacturing services sector, and the losses of the Group in the year ended 30th June, 2009, the Offeror's initial review suggests the need of cost cutting, increase in expenditure in new product development, and investment in efficiency improvement amongst the manufacturing facilities. Upon completion of the General Offer, the Offeror will conduct a detailed review of the Group's business operation for future long-term development and commercial justification.

Mr. Lin Wan Xin has offered to resign as chairman of the Company upon close of the General Offer, but will remain as an executive director of the Company.

The Offeror intends to appoint two executive Directors to the Board upon close of the General Offer.

Save for the above, the Offeror has no intention to introduce significant change to the existing management and directorship of the Company (including the continued employment of employees and any redeployment of the fixed assets of the Group). The Company will make further announcement in respect of resignation or appointment of Directors in due course.

The Offeror intends to maintain the listing of the Shares on the Stock Exchange.

If, upon closing of the General Offer, less than 25% of the Shares are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, then the Stock Exchange may exercise its discretion to suspend trading in the Shares. In this connection, it should be noted that upon closing of the General Offer, there may be insufficient public float for the Shares and, therefore, trading in the Shares may be suspended until a sufficient level of public float is restored.

If the public float requirement is not met, the directors of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to restore the public float in the Shares.

PROCEDURES FOR ACCEPTANCES OF THE GENERAL OFFER

To accept the General Offer, the Accepting Shareholders should complete the accompanying Form of Acceptance in accordance with the instructions printed thereon.

The completed Form of Acceptance should then be forwarded, together with the relevant Title Documents for not less than the number of the Shares in respect of which you intend to tender under the General Offer, by post or by hand, to the Registrar at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong in an envelope marked "**Sinotronics General Offer**" as soon as possible after the receipt of this Composite Document but in any event not later than 4:00 p.m. on the First Closing Date.

No acknowledgement of receipt of any Forms of Acceptance and the Title Documents will be given.

Your attention is drawn to the Appendix I to this Composite Document and the accompanying Form of Acceptance.

SETTLEMENT OF THE GENERAL OFFER

Provided that the accompanying Form of Acceptance for the Shares, together with the relevant Title Documents, are valid, complete and in good order and have been received by the Registrar by no later than 4:00 p.m. on the First Closing Date as required by Rule 30.2 of the Takeovers Code, a cheque for the amount due to each of the Accepting Shareholders in respect of the Shares tendered under the General Offer, less seller's ad valorem stamp duty payable by them, will be despatched to the Accepting Shareholders by ordinary post at their own risk within 10 days from the date of receipt of all relevant documents which render such acceptance complete and valid are received by the Registrar or the date when the General Offer becomes or is declared unconditional, whichever is the later.

The consideration to which any Accepting Shareholder is entitled under the General Offer will be paid by the Offeror in full in accordance with the terms of the General Offer set out in this Composite Document (including its appendices) and the accompanying Forms of Acceptance without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Accepting Shareholder. Detailed terms of the General Offer are also set out in the section headed "Appendix I — Further Terms of the General Offer" in this Composite Document.

GENERAL

To ensure equality of treatment of all Shareholders, those Shareholders who hold the Shares as nominee for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. In order for the beneficial owner of the Shares, whose investments are registered in the names of nominees, to accept the General Offer, it is essential that they provide instructions to their nominees of their intentions with regard to the General Offer.

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, in case of joint holders whose name appear first in the said register of members, unless otherwise specified in the accompanying Forms of Acceptance completed, returned and received by the Registrar. None of the Offeror, the parties acting in concert with the Offeror, Yu Ming, the Company, Pelican Securities, the Registrar or any of their respective directors, officers, associates, agents or any other person involved in the General Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation and implications of accepting the General Offer in respect of their Shares.

ADDITIONAL INFORMATION

Independent Shareholders are advised to read carefully the "Letter from the Independent Board Committee" and the "Letter from Pelican Securities" as contained in this Composite Document before deciding whether or not to accept the General Offer.

Your attention is also drawn to the further terms of the General Offer, the additional information set out in the appendices to this Composite Document and the accompanying Form of Acceptance.

Yours faithfully
For and on behalf of
YU MING INVESTMENT MANAGEMENT LIMITED
Lee Wa Lun, Warren
Director

SINOTRONICS HOLDINGS LIMITED

華翔微電子控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1195)

16th December, 2009

To the Independent Shareholders,

Dear Sir and Madam,

MANDATORY CONDITIONAL GENERAL CASH OFFER BY YU MING INVESTMENT MANAGEMENT LIMITED ON BEHALF OF UNION DAY GROUP LIMITED FOR ALL ISSUED SHARES OF SINOTRONICS HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY UNION DAY GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

We have been appointed by the Board to form an Independent Board Committee to consider the terms of the General Offer and to make recommendations to the Independent Shareholders in connection with the General Offer, details of which are set out in the "Letter from the Board" in the composite document dated 16th December, 2009 (the "Composite Document") of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Composite Document unless the context otherwise requires.

Pelican Securities has been appointed as the independent financial adviser to advise us and the Independent Shareholders in respect of the terms of the General Offer.

We wish to draw your attention to the "Letter from Yu Ming" set out on pages 11 to 16 of the Composite Document which contains, inter alia, information about the General Offer, and the letter of advice from Pelican Securities set out on pages 18 to 30 of the Composite Document which contains its advice in respect of the terms of the General Offer.

Having taken into account the advice of Pelican Securities, we consider that the terms of the General Offer are not fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders not to accept the General Offer.

Yours faithfully,
INDEPENDENT BOARD COMMITTEE
SINOTRONICS HOLDINGS LIMITED

Pan Chang Chi **Cai Xun Shan** **Cheung Chuen**

* *for identification purposes only*

The following is the text of a letter of advice from Pelican Securities to the Independent Board Committee and the Independent Shareholders in respect of the General Offer for inclusion in this Composite Document.

PELICAN SECURITIES LIMITED

PELICAN FINANCIAL

Unit 1502 Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong

16th December, 2009

The Independent Board Committee and the Independent Shareholders
Sinotronics Holdings Limited
Room 1805, 18/F
Harbour Centre
25 Harbour Road Wanchai
Hong Kong

Dear Sirs,

MANDATORY CONDITIONAL GENERAL CASH OFFER BY YU MING INVESTMENT MANAGEMENT LIMITED ON BEHALF OF UNION DAY GROUP LIMITED FOR ALL ISSUED SHARES OF SINOTRONICS HOLDINGS LIMITED (OTHER THAN THOSE SHARES ALREADY OWNED OR AGREED TO BE ACQUIRED BY UNION DAY GROUP LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the General Offer. The details of the General Offer, among other things, are set out in the letter from the Board contained in the Composite Document (the "Letter from the Board"), of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as those defined in the Composite Document unless the context requires otherwise.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Pan Chang Chi, Mr. Cai Xun Shan and Mr. Cheung Chuen, has been established to advise the Independent Shareholders as to whether the General Offer is fair and reasonable. The appointment of Pelican Securities as the independent financial adviser in respect of the General Offer has been approved by the Independent Board Committee.

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Composite Document and the information and representations as provided to us by the Directors, the Company and its management. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the date of the Composite Document. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Composite Document were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Composite Document, or the reasonableness of the opinions expressed by the Company, its management and/or the Directors, the Offeror, its management and/or its directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion.

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document, the omission of which would make any statement in the Composite Document misleading. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of the information contained in the Composite Document (other than information relating to the Company) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in the Composite Document (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in the Composite Document (other than those relating to the Company), the omission of which would make any statement in the Composite Document misleading.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent verification of the information included in the Composite Document and provided to us by the Directors and the management of the Group nor have we conducted any form of in-depth investigation into the business and affairs or the future prospects of the Group. We have not considered the tax implications on the Independent Shareholders of acceptance of the General Offer since these depend on their individual circumstances. In particular, the Independent Shareholders who are residents overseas or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position and, if in any doubt, should consult their own professional advisers.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Pelican Securities is to ensure that such information has been correctly and fairly presented and reproduced from the relevant sources.

PRINCIPAL FACTORS TAKEN INTO CONSIDERATION

In formulating our opinion in respect of the General Offer to the Independent Board Committee and the Independent Shareholders, we have considered the following principal factors and reasons:

1. Background to and Terms of the General Offer

The Joint Announcement dated 25th November, 2009 stated that the Board had been informed by Mr. Lin, the former controlling Shareholder of the Company prior to the completion of the Placing, that he had placed his entire shareholding in the Company of 230,131,780 Shares, representing approximately 41.17% of the total issued share capital of the Company as at the Latest Practicable Date, to the Offeror at the placing price of HK$0.18 per Share. Completion of the Placing took place on 23rd November, 2009.

Immediately upon completion of the Placing as stated in the Joint Announcement, the Offeror holds 230,131,780 Shares, representing approximately 41.17% of the total issued share capital of the Company as at the Latest Practicable Date. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory conditional general offer in cash for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it.

Yu Ming, financial adviser to the Offeror, is making the General Offer on behalf of the Offeror in compliance with the Takeovers Code, on the following basis:

For every General Offer Share . . . . HK$0.18 in cash

Further details of the terms and conditions of the General Offer, including the procedures for acceptance, are set out in the letter from Yu Ming and Appendix I to the Composite Document.

2. Operating Performance of the Group

(a) *Financial Performance of the Group*

The Group is principally engaged in the manufacturing and sales of rigid printed circuit boards ("rigid PCBs") and flexible printed circuit boards ("FPCBs"), as well as providing printed circuit board 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.

The following consolidated results of the Group are extracts from the annual reports of the Company for the three years ended 30th June, 2009:

	For the year ended 30th June, 2009 (audited)		For the year ended 30th June, 2008 (audited)		For the year ended 30th June, 2007 (audited)	
	RMB'000	*(%)*	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Turnover by segments						
Rigid PCBs	235,865	74%	367,599	65%	391,025	56%
FPCBs	67,248	21%	116,524	21%	150,249	22%
PCBA	4,953	2%	59,481	10%	133,536	19%
SMT processing services	8,874	3%	20,713	4%	21,126	3%
Total turnover	**316,940**	100%	**564,317**	100%	**695,936**	100%
Gross profit	**46,247**		**171,969**		**219,044**	
Segment (loss)/profit from operations						
Rigid PCBs	(194,942)		125,388		159,549	
FPCBs	(49,516)		8,120		30,614	
PCBA	(45,221)		(1,542)		14,205	
SMT processing services	(81,023)		(537)		2,247	
Unallocated operating income and expenses	(12,953)		(13,826)		(14,698)	
Total segment (loss)/profit from operations	**(383,655)**		**117,603**		**191,917**	
(Loss)/profit attributable to the Shareholders	**(360,202)**		**11,179**		**115,085**	
Basic (loss)/earnings per Share	**(64) cents**		**2 cents**		**21 cents**	

	As at 30th June, 2009 (audited)	As at 30th June, 2008 (audited)	As at 30th June, 2007 (audited)
	RMB'000	*RMB'000*	*RMB'000*
Non-current assets	375,945	436,410	390,930
Current assets	840,722	1,131,908	1,102,883
Current liabilities	559,341	589,019	467,068
Non-current liabilities	22,861	53,166	139,958
Net-current assets/(liabilities)	**281,381**	**542,889**	**635,815**
Shareholders' equity	**634,465**	**926,133**	**886,787**

Source: Annual reports of the Company

Financial year ended 30th June, 2008 versus financial year ended 30th June, 2007

The Group's turnover for the year ended 30th June, 2008 amounted to approximately RMB564.3 million, representing a decrease of approximately 18.9% as compared to the amount of approximately RMB695.9 million for the year ended 30th June, 2007. In particular, the turnover of rigid PCBs recorded an amount of approximately RMB367.6 million as compared to approximately RMB391.0 million for the year ended 30th June, 2007, representing a decrease of approximately 6.0%. The turnover of FPCBs and PCBA recorded amounts of approximately RMB116.5 million and RMB59.5 million as compared to approximately RMB150.2 million and RMB133.5 million respectively for the year ended 30th June, 2007, representing decrease of approximately 22.4% and 55.4% respectively. The decrease in turnover of the Group was mainly due to the downturn in demand for consumer electronic products, leading to the decrease in sales of FPCBs and provision of PCBA services.

The Group's gross profit for the year ended 30th June, 2008 amounted to approximately RMB172.0 million, representing a decrease of approximately 21.5% from approximately RMB219.0 million for the year ended 30th June, 2007. The decrease in overall gross profit margin was attributable to the increase in raw material price and product mix. The Group recorded an operating profit of approximately RMB117.6 million for the year ended 30th June, 2008, representing a decrease of approximately 38.7% from approximately RMB191.9 million for the year ended 30th June, 2007. 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.

Due to the worsening turnover, gross profit margin and operating profit during the year, the profit attributable to equity Shareholders of the Company was approximately RMB11.2 million for the year ended 30th June, 2008, representing a substantial decrease of 90.3% as compared to the amount of approximately RMB115.1 million for the year ended 30th June, 2007. The basic earnings per Share of the Company for the year ended 30th June, 2008 was approximately RMB2 cents as compared to approximately RMB21 cents for the year ended 30th June, 2007.

Financial year ended 30th June, 2009 versus financial year ended 30th June, 2008

The turnover of the Group for the year ended 30th June, 2009 fell by approximately 43.8% to approximately RMB316.9 million as compared to approximately RMB564.3 million for the year ended 30th June, 2008. In particular, the turnover of rigid PCBs recorded an amount of approximately RMB235.9 million as compared to approximately RMB367.6 million for the year ended 30th June, 2008, representing a decrease of approximately 35.8%. The turnover of FPCBs and PCBA recorded amounts of approximately RMB67.2 million and RMB5.0 million as compared to approximately RMB116.5 million and RMB59.5 million respectively for the year ended 30th June, 2008, representing decrease of approximately 42.3% and 91.6% respectively. The decrease in turnover of the Group was mainly attributable to the decline in sales orders and unit selling prices of the Group's products resulting from the global economic downturn. In particular, sales from the Group's top ten customers dropped by over 50% as compared with the previous financial year.

For the year ended 30th June, 2009, the Group recorded a gross profit of approximately RMB46.2 million, representing a decrease of approximately 73.1% from approximately RMB172.0 million for the year ended 30th June, 2008. The decrease in gross profit was mainly due to a significant drop in demand for the Group's PCBs and related products under the prevailing market environment. The Group also recorded an operating loss of approximately RMB383.7 million as compared to an operating profit of approximately RMB117.6 million for the year ended 30th June, 2008. The operating loss was attributable to the impairment of non-current assets as well as trade and other receivables.

Due to global financial crisis, the turnover and gross profit of the Group has deteriorated by a percentage of 43.8% and 73.1% respectively. As a result, the Group recorded a loss attributable to equity Shareholders of the Company for the year ended 30th June, 2009 of approximately RMB360.2 million, as compared to a profit of approximately RMB11.2 million for the year ended 30th June, 2008. In addition, the Group recorded a basic loss per Share of approximately RMB64 cents for the year ended 30th June, 2009, as compared to a basic earnings per Share was RMB2 cents for the year ended 30th June, 2008.

Financial position of the Group for the three years ended 30th June, 2009

In respect to the financial position of the Group as illustrated in the table above, the Group recorded net current assets of approximately RMB635.8 million as at 30th June, 2007, which decreased to approximately RMB542.9 million as at 30th June, 2008 and further worsened to approximately RMB281.4 million as at 30th June, 2009. The decrease in the net current assets as at 30th June, 2007 and 2008 was mainly due to the increase of short-term bank loans from approximately RMB146.5 million as at 30th June, 2007 to RMB253.8 million as at 30th June, 2008. The further decrease in the net current assets as at 30th June, 2008 and 2009 was mainly attributable to the decrease of cash and cash equivalents from approximately RMB880.4 million to RMB648.5 million and trade and other receivables from approximately RMB201.8 million to RMB94.1 million.

Despite the decrease of the net current assets as at 30th June, 2007 and 2008, the net assets of the Group increased slightly from approximately RMB886.8 million to RMB926.1 million, which mainly due to the increase in cash and bank balances during the year. The net assets of the Group as at 30th June, 2009 decreased to approximately RMB634.5 million, which was mainly due to the worsening turnover and the operating loss of the Group during the year, resulting from the global economic downturn.

(b) *Future prospect of the Group*

As mentioned in the published annual report of the Company for the year ended 30th June, 2009 (the "2009 Annual Report"), the electronics industry has been seriously suffered during the global financial crisis and the market for the electronics products has worsened from January to June 2009 due to the fall in demand followed by a decline in average selling prices. As the Board believes that the average selling prices will not be able to rebound quickly to generate higher margins in the near future, it still expects a relatively challenging operating environment in the coming year.

According to the printed circuit report released by Prismark Partners, an electronics industry consulting firm, on 10th February, 2009, the turnover of the global electronics systems market is expected to decline by more than 12% in 2009, which represents the largest single-year decline ever. In particular, according to the news released by EETimes, a global source for news, design and product information of electronics industry, on 3rd November, 2009, the analyst of iSuppli, a market research and consulting firm specialized in the electronics value chain, stated that the pricing for the PCB in the second quarter of 2009 is expected to fall to approximately 15.3 cents per square inch, approximately 8.4% down from approximately 16.7 cents in October 2008. As mentioned in the 2009 Annual Report, sales within the PRC (excluding Hong Kong and Taiwan) have been the largest geographical segment for the Group. According to the forecast of the business research & consulting firm, Frost & Sullivan, even though the PRC market demand for the PCB products would decrease by approximately 18.2% as compared to that of previous year, such demand would resume gradually in the year 2010 due to the readjustment and development measures for the electronics products as implemented by the PRC government and the rebound of the consumer confidence index. Therefore, we concur with the view of the Directors that the electronics industry in 2009 has been seriously suffered as a result of the global financial crisis. However, we are of the view that there have been signs for improvements in the PRC market demand for the PCB products, but caution should still be kept for the future performance of the Group as uncertainty may still exist in the operating environment in the coming year for the Group.

In addition, according to the October 2009 Issue of World Economic Outlook published by International Monetary Fund, there have been signs of a stabilizing US economy while the PRC government has significantly relaxed its monetary policy in order to sustain economic growth during the first half of 2009. In particular, there are incipient signs of a stabilization of activity in the United States such as a recovery in consumer demand, increased housing sales and a rebound in the stock market in the United States and of recovery in China such as an increase in industrial production, acceleration of credit supply, and sharp gains in government spending, as according to the 2009 mid-term outlook report published by the World Bank Group. As mentioned in the 2009 Annual Report, the Directors stated that the Group will operate with a defensive approach by focusing on rigid PCBs to generate growth as well as continuing to diversify the application of FPCB products and extend the production line of SMT processing services. In addition, the Group will continue to implement cost control measures and to improve operational efficiency and is endeavored to explore opportunities that could maximise returns for its Shareholders. The Directors therefore considers there may be possibilities of investing significant amount in new business projects should it consider appropriate to its future development.

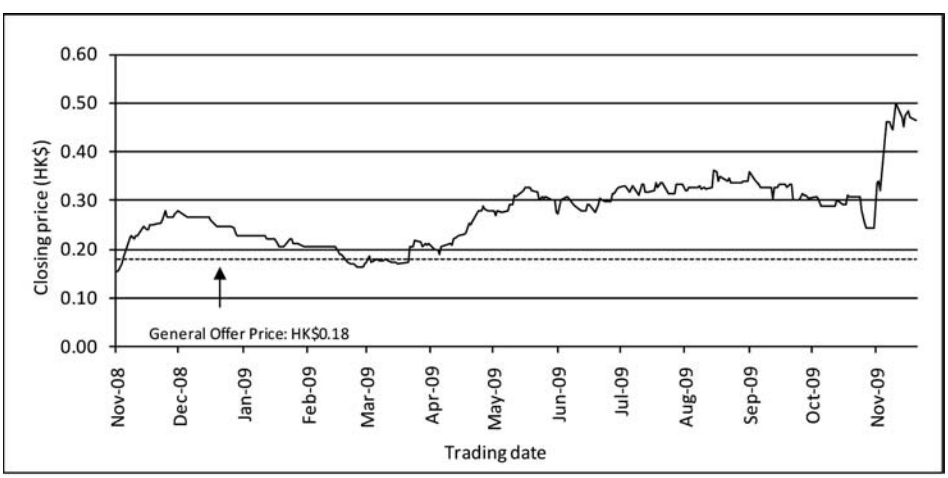
As stated in the Open Offer Announcement of the Company dated 17th November, 2009, the Company entered into the Settlement Agreement with Deutsche Bank AG for the settlement of the Writ and that Mr. Lin, the former controlling Shareholder of the Company prior to the completion of the Placing, intended to place part or all of the Sale Shares in order to finance his payment obligation under the Deed of Indemnity in light of the Settlement Agreement. As stated in the Joint Announcement, the Board was informed by Mr. Lin subsequent to the Open Offer Announcement that he placed the Sale Shares, being his entire shareholding in the Company of 230,131,780 Shares, representing approximately 41.17% of the total issued share capital of the Company as at the Latest Practicable Date, to the Offeror at the placing price of HK$0.18 per Share. The completion of the Placing took place on 23rd November, 2009. As referred to in the section of the ''Information of the Offeror and its intention on the Group'' of this letter, the Offeror intends that the Group will continue its existing principal activities after the close of the General Offer. Mr. Lin Wan Xin has offered to resign as chairman of the Company upon close of the General Offer, but will remain as an executive Director of the Company. In addition, the Offeror intends to appoint two executive Directors to the Board upon close of the General Offer. Given the competitive environment in the electronic manufacturing services sector, and the loss of the Group in the year ended 30th June, 2009, the initial review of the Offeror suggests the need of cost cutting, increase in expenditure in new product development, and investment in efficiency improvement amongst the manufacturing facilities. Upon completion of the General Offer, the Offeror will conduct a detailed review of the Group's business operation for future long-term development and commercial justification. Apart from the above, the Offeror has no intention to introduce significant change to the existing management and directorship of the Company (including the continued employment of employees and any redeployment of the fixed assets of the Group). We are therefore of the view that the Group will continue its efforts in improving its operational efficiency and exploring profitable business opportunities.

3. Share Price Performance and Liquidity

(a) *Historical market price of the Shares*

Prior to the commencement of dealings in the Shares on an ex-entitlement basis in respect of the Open Offer on 2nd December, 2009, dealings in the Shares was on a cum-entitlement basis. When comparing the General Offer Price with the historical Share price performance, we have made reference to the adjusted closing price of the Shares prior to 2nd December, 2009 and closing price of the Shares afterwards obtained from the website of the Stock Exchange (the "Adjusted Closing Price").

The following chart depicts the daily Adjusted Closing Prices of the Shares from 25th November, 2008 (approximately 12 months prior to the date of the Joint Announcement) up to the Latest Practicable Date (the "Review Period"):



Source: Stock Exchange of Hong Kong

During the Review Period, the Adjusted Closing Price of the Shares ranged from HK$0.15 to HK$0.50. The Adjusted Closing Price of the Shares had been above the General Offer Price from 28th November, 2008 to 13th March, 2009 and had fallen below or been close to the General Offer Price for the short period from 16th March, 2009 to 14th April, 2009. Since then, the Adjusted Closing Price of the Shares had exceeded the General Offer Price. It had risen to HK$0.337 on 25th November, 2009, immediately following the release of the Joint Announcement in relation to the completion of the Placing and the General Offer. The average of the Adjusted Closing Prices of the Shares during the Review Period was approximately HK$0.28 and the General Offer Price represents a discount of approximately 35.7% to such average price.

In general, the General Offer Price represents a discount to the Adjusted Closing Prices of the Shares during most of the time in the Review Period as reference to the chart above and a discount of approximately 35.7% to the average Adjusted Closing Prices during the Review Period.

(b) ***Liquidity of the Shares***

The following table sets out the total trading volume and the average daily trading volume per month and the respective percentages of the average daily trading volume compared with the average total issued Shares and the average number of Shares held by the public from November 2008 up to the Latest Practicable Date:

	Total monthly trading volume *(million shares)*	**Average daily trading volume** *(million shares)*	**% of average daily trading volume to average total issued Shares** *(%)* *(Note 1)*	**% of average daily trading volume to average public float** *(%)* *(Note 2)*
2008				
November	3.55	0.27	0.04%	0.07%
December	2.00	0.17	0.02%	0.04%
2009				
January	0.99	0.14	0.02%	0.04%
February	2.43	0.17	0.02%	0.05%
March	10.06	0.67	0.09%	0.17%
April	33.72	1.87	0.26%	0.49%
May	15.95	0.84	0.12%	0.22%
June	28.63	1.30	0.18%	0.34%
July	10.03	0.50	0.07%	0.13%
August	12.52	0.78	0.11%	0.20%
September	10.26	0.57	0.08%	0.15%
October	28.82	1.60	0.22%	0.42%
November	549.31	34.33	4.71%	8.74%
December (up to Latest Practicable Date)	279.47	27.95	3.83%	8.96%

Source: Bloomberg

Notes:

1. *Calculated based on the average of the number of issued Shares in each month during the Review Period obtained from Bloomberg.*

2. *Calculated based on the average of the number of Shares held by the public in each month during the Review Period obtained from Bloomberg.*

As illustrated above, during the period from November 2008 to October 2009, the average daily trading volume of the Shares as a percentage of the average total issued Shares ranged from 0.02% to 0.26%; while the average daily trading volume of the Shares as a percentage of the average total number of Shares held by the public ranged from 0.04% to 0.49%. With the Joint Announcement dated 25th November, 2009 in relation to the Completion of the Placing and the General Offer, the average daily trading volume of the Shares as a percentage of the average total issued Shares and a percentage of the average total number of Shares held by the public increased to 4.71% and 8.74% respectively in the month of November 2009.

We are of the view that the liquidity of the Shares during the past 12-month period, excluding the recent months of November and December 2009, was relatively low and there may not be sufficient liquidity in the Shares for the Shareholders to dispose of their Shares in the open market within a short period of time if the same trading pattern of the Shares persists. Given the low liquidity of the Shares, we consider that the General Offer provides an opportunity for Independent Shareholders who are not optimistic about the future business prospects of the Group and wish to realize their investments in the Company within a short period of time. However, Independent Shareholders who are optimistic about the future business prospects of the Group should not accept the General Offer since the General Offer Price represents a discount to the Adjusted Closing Prices of the Shares during most of the time in the past 12 months.

(c) *Comparison of the General Offer Price with the market price and NAV per Share*

The General Offer Price of HK$0.18 represents:

(i) a discount of approximately 25.93% to the Adjusted Closing Price of HK$0.243 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 37.35% to the average Adjusted Closing Price of HK$0.287 per Share for the 10 trading days up to and including the Last Trading Day;

(iii) a discount of approximately 40.46% to the average Adjusted Closing Price of HK$0.302 per Share for the 30 trading days up to and including the Last Trading Day;

(iv) a discount of approximately 43.52% to the average Adjusted Closing Price of HK$0.319 per Share for the 90 trading days up to and including the Last Trading Day;

(v) a discount of approximately 35.62% to the average Adjusted Closing Price of HK$0.280 per Share for the 180 trading days up to and including the Last Trading Day;

(vi) a discount of approximately 61.29% to the Adjusted Closing Price of the Shares of HK$0.465 each as quoted on the Stock Exchange on the Latest Practicable Date; and

(vii) a discount of approximately 86.05% to the audited consolidated net asset value per Share of approximately HK$1.29 as at 30th June, 2009 calculated based on the net asset value of the Company of RMB634,465,000 (approximately HK$720,245,000) and 558,965,000 Shares in issue as at the Latest Practicable Date.

4. Valuation of the General Offer Price

(a) *Open Offer Price*

The Company has despatched the Open Offer Prospectus on 8th December, 2009 to implement the Open Offer on the basis of 1 Open Offer Share for every 2 Shares held by the Qualifying Shareholders on the Record Date at the subscription price of HK$0.18. The General Offer Price is equivalent to the subscription price of the Open Offer.

(b) *Net asset value*

The General Offer Price represents a discount of approximately 86.05% to the audited consolidated net asset value per Share of approximately HK$1.29 as at 30th June, 2009 calculated based on the net asset value of the Company of RMB634,465,000 (approximately HK$720,245,000) and 558,965,000 Shares in issue as at the Latest Practicable Date.

(c) *Comparison with mandatory cash offers*

In forming our opinion on the General Offer Price, we have considered the commonly adopted comparable approaches, namely price-to-earnings approach, dividends approach and net assets approach. However, given that the Group recorded a loss for the year ended 30th June, 2009 and the Company had not declared any dividend to the Shareholders during the year ended 30th June, 2009, we consider that the price-to-earnings approach and the dividends approach are not applicable for assessing the value of the Group.

In analyzing the fairness and reasonableness of the General Offer Price, we have not identified any company listed on the main board of the Stock Exchange with similar market capitalization and from similar industry as the Company that has made mandatory cash offer in the Review Period and therefore we have reviewed all mandatory cash offers made by companies listed on the main board of the Stock Exchange since 25th November, 2008 (approximately 12 months prior to the date of the Joint Announcement) up to the date of the Joint Announcement (the "Comparable Offers"). However, as we note that the companies from the Comparable Offers are in different industries, we are of the opinion that the comparison to the Comparable Offers is limited and will not be taken into consideration in the assessment of the General Offer Price.

5. Information of the Offeror and its intention on the Group

As mentioned in the letter from Yu Ming in the Composite Document ("Letter from Yu Ming"), the Offeror is a company incorporated in the British Virgin Islands with limited liability on 9th January, 2008. The Offeror is wholly and beneficially owned by Mr. Sze Ming Yee. The Offeror has not carried out any business other than the acquisition of the Sale Shares.

As mentioned in the Letter from Yu Ming, the Offeror intends that the Group will continue its existing principal activities after the close of the General Offer. Given the competitive environment in the electronic manufacturing services sector, and the loss of the Group in the year ended 30th June, 2009, the Offeror's initial review suggests the need of cost cutting, increase in expenditure in new product development, and investment in efficiency improvement amongst the manufacturing facilities. Upon completion of the General Offer, the Offeror will conduct a detailed review of the Group's business operation for future long-term development and commercial justification.

The Board currently comprises eight Directors. As mentioned in the Letter from Yu Ming, Mr. Lin Wan Xin has offered to resign as chairman of the Company upon close of the General Offer, but will remain as an executive director of the Company. In addition, the Offeror intends to appoint two executive Directors to the Board upon close of the General Offer.

Save for the above, the Offeror has no intention to introduce significant change to the existing management and directorship of the Company (including the continued employment of employees and any redeployment of the fixed assets of the Group).

6. Maintaining the listing status of the Company

As mentioned in the Letter of Yu Ming, the Offeror intends to maintain the listing status of the Shares on the Stock Exchange. The director of the Offeror and the new directors to be appointed to the Board will jointly and severally undertake to the Stock Exchange to take appropriate steps to restore the public float in the Shares if the public float requirement is not met.

Although it is the intention of the Offeror to maintain the listing status of the Shares on the Stock Exchange, Independent Shareholders should note that there are certain requirements on the minimum public float of the Shares under the Listing Rules. Failure to maintain a sufficient level of public float upon completion of the General Offer may result in suspension in dealings in the Shares even if the condition of the General Offer as stated in the Letter from Yu Ming is fulfilled.

RECOMMENDATIONS

Having considered the principal factors discussed above and, in particular the following,

(i) despite the loss reported in the 2009 Annual Report due to the global financial crisis, there have been signs of economic recovery and the Directors advise that the Group will continue to implement cost control measures and to improve operational efficiency and is endeavored to explore opportunities that could maximise returns for its Shareholders in the future;

(ii) the General Offer Price represents a discount to the Adjusted Closing Prices of the Shares during most of the time in the past 12 months and a discount of approximately 35.7% to the average Adjusted Closing Prices during the Review Period; and

(iii) the General Offer Price represents a considerable discount of approximately 86.05% to the NAV per Share, on balance, we consider the General Offer Price is not attractive and therefore the terms of the General Offer are not fair and reasonable. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders not to accept the General Offer.

However, given the relatively low trading volume of the Shares prior to the Joint Announcement, the Independent Shareholders who hold a large block of Shares may not be able to realise their Shares in full without creating pressure on the market price of the Shares. Independent Shareholders, in particular for those Independent Shareholders who hold a large block of the Shares, may consider to take advantage of this opportunity to realise all or part of their Shares at the General Offer Price.

The Independent Shareholders are also be reminded that in the event that there is less than 25% of the Shares are held by the public (within the meaning of the Listing Rules) upon the close of the General Offer, the insufficient public float may result in temporary suspension in the trading of the Shares on the Stock Exchange.

Yours faithfully,
For and on behalf of
Pelican Securities Limited
Charles Li
Director and CEO

PROCEDURES FOR ACCEPTANCE OF THE GENERAL OFFER

(A) General Offer

(a) If the Title Document(s) in respect of your Share(s) is/are in your name, and you wish to accept the General Offer whether in full or in respect of part of your holding(s) of your Shares, you must send the accompanying Form of Acceptance duly completed together with the relevant Title Document(s) to the Registrar no later than 4:00 p.m. on Wednesday, 6th January, 2010.

(b) If the Title Document(s) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the General Offer in respect of your Shares, whether in full or in part, you must either:

(i) lodge your Title Document(s) with the nominee company, or other nominees, with instructions authorising it to accept the General Offer on your behalf and requesting it to deliver the duly completed Form of Acceptance, together with the relevant Title Document(s) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver the duly completed Form of Acceptance, together with the relevant Title Document(s) to the Registrar; or

(iii) if your Shares are lodged with your licensed securities dealer/custodian bank through CCASS, instruct your licensed securities dealer/custodian bank to authorize HKSCC Nominees Limited to accept the General Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/custodian bank for the timing on processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or

(iv) if your Shares are lodged with your investor participant's account with CCASS, provide your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set by HKSCC Nominees Limited.

(c) If the Title Document(s) in respect of your Shares is/are not readily available and/or is/are lost (as the case may be) and you wish to accept the General Offer in respect of your Shares, the accompanying Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Title Document(s) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, the relevant Title Document(s) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate, you should also write to the Registrar to request for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar.

(d) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate, and you wish to accept the General Offer in respect of your Shares, you should nevertheless complete the accompanying Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to Yu Ming and/or the Offeror or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate when issued and to deliver such Share certificate to the Registrar and to authorize and instruct the Registrar to hold such Share certificate, subject to the terms and conditions of the General Offer, as if it was/they were delivered to the Registrar with the accompanying Form of Acceptance.

(e) An acceptance may not be counted as valid unless:

(i) the accompanying Form of Acceptance, together with the relevant Title Document(s), have been received by the Registrar on or before 4:00 p.m. on Wednesday, 6th January, 2010 (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded that the Form of Acceptance and any relevant documents required below have been so received; and

(ii) the accompanying Form of Acceptance is duly completed and is:

1. accompanied by the relevant Title Document(s) and, if the Share certificate is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Share(s); or

2. from a registered Shareholder or his personal representatives (but only up to the amount of the registered holding and only to the extent that the acceptance relating to the Share(s) which is/are not taken into account under any other sub-paragraph of this paragraph (ii); or

3. certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

(f) No acknowledgment of receipt of any Form of Acceptance or Title Document(s) will be given.

(g) If the General Offer is withdrawn or lapses, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post, at the risk of the accepting Independent Shareholder(s), the Share certificate(s) lodged with the Form of Acceptance to the relevant accepting Independent Shareholder(s).

(h) The address of the Registrar, Hong Kong Registrars Limited, is at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

ACCEPTANCE PERIOD AND REVISIONS

(a) Unless the General Offer has previously been revised or extended or have previously become or been declared unconditional, all acceptances of the General Offer must be received by the Registrar by no later than 4:00 p.m. on Wednesday, 6th January, 2010, being the First Closing Date. In accordance with Rule 15.3 of the Takeovers Code, where the General Offer becomes or is declared unconditional, it should remain open for acceptance for not less than 14 days thereafter. If the next closing date is not stated in the announcement announcing that the General Offer has become unconditional, at least 14 days' notice in writing must be given before the General Offer is closed to those Independent Shareholders who have not accepted the General Offer. The Offeror will make an announcement as and when the General Offer becomes or is declared unconditional.

(b) If the General Offer is extended or revised, the announcement of such extension or revision will state the next closing date and the General Offer will remain open for acceptance for a period of not less than 14 days from the posting of the written notification of the extension or revision to the Independent Shareholders and, unless previously extended or revised, shall be closed on the subsequent closing date. If the Offeror revises the terms of the General Offer, all Independent Shareholders, whether or not they have already accepted the General Offer, will be entitled to accept the revised General Offer under the revised terms. The benefit of any revision of the General Offer will be available to any Independent Shareholder who has/have previously accepted the General Offer. The execution by or on behalf of any Independent Shareholder who has previously accepted the General Offer of any Form of Acceptance shall be deemed to constitute acceptance of the revised General Offer unless such holder becomes entitled to withdraw his acceptance and duly does so.

(c) The Offeror may introduce new conditions to be attached to any revision to the terms of the General Offer, or any subsequent revision thereof but only to the extent necessary to implement the revised General Offer and subject to the consent of the Executive.

(d) In order to be valid, acceptances must be received by the Registrar in accordance with the instructions printed on the relevant Form of Acceptance by no later than 4:00 p.m. on the First Closing Date, unless the General Offer is extended or revised.

(e) If the closing date of the General Offer is extended, any reference in this Composite Document and in the Form of Acceptance to the closing date shall, except where the context otherwise requires, be deemed to refer to the closing date of the General Offer as so extended.

ANNOUNCEMENTS

(a) By 6:00 p.m. on Wednesday, 6th January, 2010, which is the First Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its intention in relation to the revision, extension, expiry or unconditionality of the General Offer. The Offeror shall publish an announcement on the Stock Exchange's website by 7:00 p.m. on the First Closing Date stating the results of the General Offer and whether the General Offer has been revised, extended, has expired or has become or been declared unconditional. The announcement must state the following:

(i) the total number of Shares and rights over Shares for which acceptances of the General Offer have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror, its ultimate beneficial owner and parties acting in concert with any of them before the General Offer period; and

(iii) the total number of Shares and rights over Shares acquired or agreed to be acquired during the General Offer period by the Offeror, its ultimate beneficial owner and parties acting in concert with any of them.

The announcement must include details of any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror or any person acting in concert with it has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold. The announcement must also specify the percentages of the issued share capital of the Company and the percentages of the voting rights of the Company represented by these numbers of the Shares.

(b) As required under the Takeovers Code, any announcement in relation to the General Offer, in respect of which the Executive has confirmed that it has no further comments thereon, will be made in accordance with the requirements of the Listing Rules.

RIGHT OF WITHDRAWAL

Acceptances of the General Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn except (i) in circumstances set out in Rule 19.2 of the Takeovers Code, which provides that if the Offeror is unable to comply with any of the requirements of Rule 19 of the Takeovers Code, the Executive may require that the Independent Shareholders be granted a right of withdrawal, on terms acceptable to the Executive, until such requirements can be met; and (ii) in compliance with Rule 17 of the Takeovers Code which provides that an acceptor shall be entitled to withdraw his acceptance within 21 days from the First Closing Date, if the General Offer has not by then become unconditional as to acceptances.

SETTLEMENT

Provided that the Form of Acceptance and relevant Title Document(s) are in complete and good order and have been received by the Registrar by not later than 4:00 p.m. on the First Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount due to each of the Independent Shareholders in respect of the

Shares tendered by them under the General Offer less the related seller's ad valorem stamp duty will be despatched to each of them to their addresses specified on the Form of Acceptance by ordinary post and/or by hand (as the case may be) at their own risk as soon as possible but in any event within 10 days of the date on which all the requisite documents as referred to in the above paragraph headed "Procedures for Acceptance of the General Offer" in this appendix are received by the Registrar to render such acceptance complete and valid, or the date when the General Offer becomes or is declared unconditional, whichever is the later.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the General Offer will be implemented in full in accordance with the terms of the General Offer (save with respect to payment of ad valorem stamp duty) without regard to any lien, right of set-off, counterclaim, or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Independent Shareholder.

OVERSEAS SHAREHOLDERS

The making of the General Offer to Overseas Shareholders may be prohibited or affected according to the laws of the relevant jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of any Overseas Shareholder wishing to accept the General Offer to satisfy himself or herself or itself as to the full observance of the laws and regulatory requirements of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Acceptances of the General Offer by any such person will constitute a warranty by such person that such person is permitted under all applicable laws to accept the General Offer and any revision thereof, and such acceptance shall be valid and binding in accordance with all applicable laws. Such Overseas Shareholders should consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to accept the General Offer.

STAMP DUTY

Seller's ad valorem stamp duty arising in connection with acceptances of the General Offer amounting to HK$1.00 for every HK$1,000 or part thereof of the greater of (i) the consideration payable by the Offeror in respect of the relevant acceptance; and (ii) the market value of the Shares, whichever is higher, will be payable by the Independent Shareholders who accept the General Offer and will be deducted from the consideration payable to such Independent Shareholders upon the General Offer becoming unconditional. The Offeror will pay the buyer's ad valorem duty on its own behalf and the seller's ad valorem stamp duty on behalf of the accepting Independent Shareholders in respect of the Shares accepted under the General Offer.

TAXATION

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the General Offer. It is emphasized that none of the Company, the Offeror, its ultimate beneficial owner and parties acting in concert with any of them, Yu Ming, Pelican Securities, the Registrar or any of their respective directors or any persons involved in the General Offer accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the General Offer.

GENERAL

(a) Acceptance of the General Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and Yu Ming that the Shares acquired under the General Offer are sold by any such person or persons free from all liens, charges, options, claims, equities, adverse interests, third party rights or encumbrances whatsoever and together with all rights attaching thereto, including, without limitation the rights to receive dividends and distributions declared, if any, on or after the Announcement Date.

(b) All communications, notices, Form of Acceptance, Title Document(s) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their respective agents, through ordinary post at their own risk, and none of the Company, the Offeror, Yu Ming, Pelican Securities, the Registrar nor other parties involved in the General Offer or any of their respective agents, accepts any liability for any loss in postage or any other liabilities that may arise as a result thereof.

(c) The provisions set out in the Form of Acceptance form part of the terms of the General Offer.

(d) The accidental omission to despatch this document and/or the Form of Acceptance or any of them to any person to whom the General Offer is made will not invalidate the General Offer in any way.

(e) The General Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong. The General Offer is made in accordance with the Takeovers Code.

(f) Due execution of the Form of Acceptance will constitute an authority to the Offeror, Yu Ming or such person or persons as the Offeror may direct, to complete and execute any document on behalf of the person or persons accepting the General Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct the Shares in respect of which such person or persons has/have accepted the General Offer.

(g) References to the General Offer in this Composite Document and in the Form of Acceptance shall include any extension and/or revision thereof.

(h) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

1. SUMMARY OF FINANCIAL INFORMATION

The following summary of the financial information (the "Financial Information") has been extracted from the audited consolidated financial statements of the Group for each of the three years ended 30th June, 2009, 2008 and 2007 in the respective annual reports of the Company. The auditors of the Company expressed unqualified opinions on those financial statements in their reports for each of the three years ended 30th June, 2009, 2008 and 2007 respectively. There were no extraordinary/exceptional items for the 3 years ended 30th June, 2009, 2008 and 2007 respectively.

Consolidated Income Statement

	Year ended		
	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	316,940	564,317	695,936
Cost of sales	(270,693)	(392,348)	(476,892)
Gross profit	46,247	171,969	219,044
Other revenue	5,002	8,991	8,061
Other net (loss)/income	(95,248)	(8,124)	8,623
Distribution costs	(16,278)	(7,051)	(7,827)
Administrative expenses	(30,500)	(41,882)	(34,102)
Repair and maintenance costs	(9,720)	—	—
Other operating expenses	(820)	(6,300)	(1,882)
Impairment of non-current assets	(282,338)	—	—
(Loss)/profit from operations	(383,655)	117,603	191,917
Finance costs	(19,866)	(81,833)	(49,962)
(Loss)/profit before taxation	(403,521)	35,770	141,955
Income tax	43,319	(24,591)	(23,695)
(Loss)/profit for the year	(360,202)	11,179	118,260
Attributable to:			
Equity shareholders of the Company	(360,202)	11,179	115,085
Minority interests	—	—	3,175
(Loss)/profit for the year	(360,202)	11,179	118,260

	Year ended		
	2009	**2008**	**2007**
	RMB'000	*RMB'000*	*RMB'000*
Dividends payable to equity shareholders of the Company attributable to the year:			
Final dividend proposed after the balance sheet date	—	1,977	18,838
(Loss)/earnings per share			
Basic	(64) cents	2 cents	21 cents
Diluted	(64) cents	2 cents	20 cents
Dividends per share	—	HK$0.004	HK$0.035

Consolidated Balance Sheet

	30th June, 2009 *RMB'000*	30th June, 2008 *RMB'000*	30th June, 2007 *RMB'000*
Non-current assets			
Property, plant and equipment	290,472	390,299	358,242
Interests in leasehold land held for own use under operating lease	18,143	18,643	17,159
Purchase deposits of property, plant and equipment	9,580	25,321	11,557
Purchase deposits of leasehold land	—	—	1,916
Deferred tax assets	57,750	2,147	2,056
	375,945	436,410	390,930
Current assets			
Trading securities	1,570	—	—
Inventories	25,997	45,459	36,100
Trade and other receivables	94,068	201,776	262,691
Amount due from the controlling shareholder	61,975	—	—
Fixed deposits	—	—	75,660
Pledged deposits	8,662	4,307	—
Cash and cash equivalents	648,450	880,366	728,432
	840,722	1,131,908	1,102,883
Current liabilities			
Trade and other payables	143,926	162,810	159,815
Bank loans	250,972	253,822	146,498
Obligations under finance leases	—	2,591	3,059
Taxation	—	4,729	6,416
Derivative financial instruments	—	165,067	151,280
Other financial liabilities	164,443	—	—
	559,341	589,019	467,068
Net current assets	281,381	542,889	635,815
Total assets less current liabilities	657,326	979,299	1,026,745

	30th June, 2009 *RMB'000*	30th June, 2008 *RMB'000*	30th June, 2007 *RMB'000*
Non-current liabilities			
Bank loans	16,000	30,000	136,539
Obligations under finance leases	—	510	3,419
Other long term payable	—	16,089	—
Deferred tax liabilities	6,861	6,567	—
	22,861	53,166	139,958
NET ASSETS	634,465	926,133	886,787
Capital and reserves			
Share capital	58,661	58,661	58,123
Reserves	575,804	867,472	828,664
TOTAL EQUITY	634,465	926,133	886,787

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 30TH JUNE, 2009

Set out below is the audited consolidated income statement, consolidated balance sheet, consolidated cash flow statement and consolidated statement of changes in equity of the Group, and the balance sheet of the Company together with the notes to the financial statements of the Group as extracted from pages 32 to 97 of the annual report of the Company for the year ended 30th June, 2009.

Consolidated Income Statement
for the year ended 30th June, 2009
(Expressed in Renminbi)

		2009	2008
	Note	*RMB'000*	*RMB'000*
Turnover	*3*	316,940	564,317
Cost of sales		(270,693)	(392,348)
Gross profit		46,247	171,969
Other revenue	*4*	5,002	8,991
Other net loss	*4*	(95,248)	(8,124)
Distribution costs		(16,278)	(7,051)
Administrative expenses		(30,500)	(41,882)
Repair and maintenance costs	*5(d)*	(9,720)	—
Other operating expenses		(820)	(6,300)
Impairment of non-current assets	*13(a)*	(282,338)	—
(Loss)/profit from operations		(383,655)	117,603
Finance costs	*5(a)*	(19,866)	(81,833)
(Loss)/profit before taxation	*5*	(403,521)	35,770
Income tax	*6(a)*	43,319	(24,591)
(Loss)/profit for the year attributable to equity shareholders of the Company		(360,202)	11,179
Dividends payable to equity shareholders of the Company attributable to the year:	*10*		
Final dividend proposed after the balance sheet date		—	1,977
(Loss)/earnings per share	*11*		
Basic		(64) cents	2 cents
Diluted		(64) cents	2 cents

Consolidated Balance Sheet
at 30th June, 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Non-current assets			
Property, plant and equipment	13(a)	290,472	390,299
Interests in leasehold land held for own use under operating lease	14	18,143	18,643
Deposits for the purchase of property, plant and equipment		9,580	25,321
Deferred tax assets	24(b)	57,750	2,147
		375,945	436,410
Current assets			
Trading securities	16	1,570	—
Inventories	17	25,997	45,459
Trade and other receivables	18	94,068	201,776
Amount due from the controlling shareholder (the "CS")	27	61,975	—
Pledged deposits	20	8,662	4,307
Cash and cash equivalents	20	648,450	880,366
		840,722	1,131,908
Current liabilities			
Trade and other payables	21	143,926	162,810
Bank loans	22	250,972	253,822
Obligations under finance leases	23	—	2,591
Taxation	24(a)	—	4,729
Derivative financial instruments	25	—	165,067
Other financial liabilities	26	164,443	—
		559,341	589,019
Net current assets		281,381	542,889
Total assets less current liabilities		657,326	979,299

	Note	**2009** *RMB'000*	**2008** *RMB'000*
Non-current liabilities			
Bank loans	*22*	16,000	30,000
Obligations under finance leases	*23*	—	510
Amount due to the CS	*27*	—	16,089
Deferred tax liabilities	*24(b)*	6,861	6,567
		22,861	53,166
NET ASSETS		634,465	926,133
Capital and reserves	*28(a)*		
Share capital		58,661	58,661
Reserves		575,804	867,472
TOTAL EQUITY		634,465	926,133

Balance Sheet
at 30th June, 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 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	18	206,930	427,231
Amount due from the CS	27	61,975	—
Cash and cash equivalents	20	1,175	8,475
		270,080	435,706
Current liabilities			
Other payables	21	78,735	14,337
Bank loans	22	26,388	99,022
Derivative financial instruments	25	—	165,067
Other financial liabilities	26	164,443	—
		269,566	278,426
Net current assets		514	157,280
Total assets less current liabilities		94,502	251,268
Non-current liabilities			
Amount due to the CS	27	—	16,089
NET ASSETS		94,502	235,179
Capital and reserves	28(b)		
Share capital		58,661	58,661
Reserves		35,841	176,518
TOTAL EQUITY		94,502	235,179

Consolidated Statement of Changes in Equity
for the year ended 30th June, 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Total equity at 1st July, 2008/2007		926,133	886,787
Net (loss)/income for the year recognised directly in equity:			
Exchange differences on translation of financial statements of operations outside the People's Republic of China (the "PRC")	28(a)	(689)	26,611
Surplus on revaluation of buildings held for own use, net of deferred tax	28(a)	—	10,397
Impairment of buildings held for own use, net of deferred tax	28(a)	(10,536)	—
		(11,225)	37,008
Net (loss)/profit for the year		(360,202)	11,179
Total recognised income and expense for the year		(371,427)	48,187
Movements in equity arising from capital transactions:			
Issue of shares upon exercise of subscription rights attached to convertible bonds	28(a)	—	1,841
Issue of shares under share option scheme	28(a)	—	4,352
Shares repurchased and cancelled			
— par value	28(a)	—	(19)
— premium paid	28(a)	—	(123)
Fair value adjustment of amount due to the CS	28(a)	561	3,272
Contributions by the CS upon termination of derivative financial instruments	28(a)	81,167	—
		81,728	9,323
Dividends declared or approved during the year	28(a)	(1,969)	(18,164)
Total equity at 30th June, 2009/2008		634,465	926,133

Consolidated Cash Flow Statement
for the year ended 30th June, 2009
(Expressed in Renminbi)

	Note	2009 RMB'000	2008 RMB'000
Operating activities			
(Loss)/profit before taxation		(403,521)	35,770
Adjustments for:			
— Loss/(gain) on disposal of property, plant and equipment		31,940	(17)
— Depreciation		36,431	24,435
— Amortisation of interest in leasehold land held for own use under operating leases		500	479
— Interest on bank borrowings		16,902	20,997
— Interest on other financial liabilities		1,351	—
— Interest on amount due to the CS		288	175
— Interest element of finance leases		86	327
— Interest income		(4,782)	(8,608)
— Impairment of trade and other receivables		68,162	3,339
— Impairment of non-current assets		282,338	—
— Reversal of impairment of trade and other receivables		(5,258)	(330)
— Fair value adjustments on derivative financial instruments		—	60,334
— Loss on termination of derivative financial instruments		1,087	—
— Deficit on revaluation of buildings held for own use		—	4,533
— Net realised and unrealised gains on trading securities		(70)	—
— Foreign exchange loss		681	3,801
Operating profit before changes in working capital		26,135	145,235
Decrease/(increase) in inventories		19,462	(9,359)
Decrease in trade and other receivables		43,962	57,820
(Decrease)/increase in trade and other payables		(15,896)	1,656
Cash generated from operations		73,663	195,352
Tax paid			
— PRC enterprise income tax paid		(13,515)	(23,054)
Net cash generated from operating activities		60,148	172,298

	Note	2009 RMB'000	2008 RMB'000
Investing activities			
Increase in deposits for the purchase of property, plant and equipment		(21,557)	(13,764)
Payments for the purchase of property, plant and equipment		(227,401)	(45,972)
Proceeds from disposal of property, plant and equipment		—	76
Payment for the purchase of trading securities		(1,500)	—
Interest received		4,782	8,608
Decrease in fixed deposits with maturity over three months at acquisition		—	72,392
Net cash (used in)/generated from investing activities		(245,676)	21,340
Financing activities			
Proceeds from new bank loans		215,585	164,800
Repayment for bank loans		(232,568)	(152,983)
Increase in pledged deposits		(4,355)	(4,307)
Payment for derivative financial instruments		(3,434)	(30,931)
Capital element of finance lease rentals paid		(3,104)	(2,927)
Interest element of finance lease rentals paid		(86)	(327)
(Decrease)/increase in amount due to a director		(2,298)	795
Financial assistance from the CS		3,434	20,072
Proceeds from shares issued under the share option scheme		—	4,352
Proceeds from shares issued upon exercise of subscription rights attached to the convertible bonds		—	1,841
Payment for repurchase of shares		—	(142)
Interest paid		(17,580)	(20,997)
Dividends paid		(1,969)	(18,164)
Net cash used in financing activities		(46,375)	(38,918)
Net (decrease)/increase in cash and cash equivalents		(231,903)	154,720
Cash and cash equivalents at 1st July, 2008/2007		880,366	728,432
Effect of foreign exchange rate changes		(13)	(2,786)
Cash and cash equivalents at 30th June, 2009/2008	20	648,450	880,366

NOTES TO THE FINANCIAL STATEMENTS

(Expressed in Renminbi unless otherwise indicated)

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.

(b) Basis of preparation of the financial statements

The consolidated financial statements of the Company for the year ended 30th June, 2009 comprise the Company and its subsidiaries.

The functional currencies of the Company and its subsidiaries in the PRC are Hong Kong dollars and Renminbi ("RMB") respectively. For the purpose of presenting the consolidated financial statements, the Group has adopted RMB as its presentation currency. The measurement basis used in the preparation of the financial statements is the historical cost basis except as set out in the accounting policies below.

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 34.

(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.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 1(i)).

(d) Trading securities

Investments in equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs.

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in notes 1(r)(iii) and (iv).

(e) Derivative financial instruments

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

(f) Property, plant and equipment

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

— buildings held for own use are stated in the balance sheet at revalued amount less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)). 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(t));

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

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

(ii) Revaluations of buildings held for own use 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.

(g) 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 the 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(h). Impairment losses are accounted for in accordance with the accounting policy as set out in note 1(i). Finance charges implicit in the lease payments are charged to 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.

(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.

(h) Depreciation

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

(ii) Depreciation is calculated to write off the cost or valuation of 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
— Fixture, 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.

(i) Impairment of assets

(i) *Impairment of trade and other receivables*

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.

If any such evidence exists, the impairment loss is determined and recognised as follows:

— For trade and other current receivables and other financial assets carried at amortised cost, 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.

— For other current receivables and other financial assets carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated recoverable amount.

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;

— 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).

— 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 notes 1(i)(i) and (ii)).

(j) Inventories

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

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

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

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period 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.

(k) 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(i)), 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.

(l) Cash and cash equivalents

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

(m) 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.

(n) 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(q)(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.

(o) 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).

(p) 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.

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 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.

(q) 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(q)(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.

(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.

(r) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. 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 or other sales taxes and is stated after deduction of any trade discounts.

(ii) *Processing service income*

Processing service income is recognised when services are rendered.

(iii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(iv) *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established.

(s) 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.

(t) 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.

(u) Dividends

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

(v) Contributions by shareholders

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

(w) 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.

(x) 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.

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.

2. NEW AND REVISED HKFRSS EFFECTIVE FOR ACCOUNTING PERIODS BEGINNING ON OR AFTER 1ST JULY, 2008

The HKICPA has issued a number of new Interpretations and an amendment to HKFRSs that are first effective for the current accounting period of the Group and the Company. However, none of these developments are relevant to the Group's or the Company's operations.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 37).

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") and PCBs assembling products and the provision for surface mount technology ("SMT") processing services.

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 services. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2009	**2008**
	RMB'000	*RMB'000*
Sales of PCBs	303,113	484,123
Sales of PCBs assembling products	4,953	59,481
SMT processing service income	8,874	20,713
	316,940	564,317

4. OTHER REVENUE AND OTHER NET LOSS

	2009	**2008**
	RMB'000	*RMB'000*
Other revenue		
Interest income	4,782	8,608
Sundry income	220	383
	5,002	8,991
Other net loss		
Reversal of impairment of trade and other receivables	5,258	330
Impairment of trade and other receivables	(68,162)	(3,339)
(Loss)/gain on disposal of property, plant and equipment	(31,940)	17
Exchange loss	(465)	(5,081)
Net realised and unrealised gains on trading securities	70	—
Others	(9)	(51)
	(95,248)	(8,124)

5. (LOSS)/PROFIT BEFORE TAXATION

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

		2009	2008
		RMB'000	*RMB'000*
(a)	**Finance costs:**		
	Interest on bank loans wholly repayable within five years	17,580	22,729
	Finance charges on obligations under finance leases	86	327
	Interest on other financial liabilities	1,351	—
	Interest on amount due to the CS	288	175
	Fair value adjustments on derivative financial instruments	—	60,334
	Loss on termination of derivative financial instruments	1,087	—
	Other borrowing costs	152	—
	Total borrowing costs	20,544	83,565
	Less: Borrowing costs capitalised into construction-in-progress*	(678)	(1,732)
		19,866	81,833
(b)	**Staff costs:#**		
	Salaries, wages and other benefits	31,307	36,664
	Contributions to defined contribution retirement plans	11,452	12,972
		42,759	49,636
(c)	**Other items:**		
	Cost of inventories#	270,693	392,348
	Amortisation of interest in leasehold land held for own use under operating lease#	500	479
	Depreciation#		
	— owned fixed assets	35,696	20,766
	— assets held for use under finance leases	735	3,669
	Operating lease rentals for premises#	1,462	1,772
	Auditors' remuneration	2,639	2,832
	Deficit on revaluation of buildings held for own use	—	4,533

* The borrowing costs have been capitalised at rates of 6.05%–7.65% (2008: 6.01%–6.10%) per annum.

\# Cost of inventories includes RMB67,231,000 (2008: RMB57,369,000) 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.

(d) Repair and maintenance costs

During the year ended 30th June, 2009, the building and underground infrastructure of one of the company's subsidiaries, Shuangxiang (Fujian) Electronics Limited ("Shuangxiang"), located in the coastal area of Mawei, Fuzhou City of Fujian Province in the PRC, were damaged by land subsidence and repair and maintenance costs totalling RMB9,720,000 were incurred to restore the building and underground infrastructure to their original condition.

6. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

(a) Taxation in the consolidated income statement represents:

	2009	2008
	RMB'000	*RMB'000*
Current tax		
Provision for PRC enterprise income tax	8,786	21,367
Deferred tax		
Origination and reversal of temporary differences	(52,105)	2,908
Effect of change in tax rate in the PRC	—	316
	(52,105)	3,224
	(43,319)	24,591

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 ("BVI") 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 enterprise income tax. 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	2009	2008
Fujian Fuqiang Delicate Circuit Plate Co., Ltd. ("Fuqiang")	*(1)*	20%	18%
Gemini Electronics (Huizhou) Co., Ltd ("Gemini")	*(2)*	10%	9%
Shuangxiang	*(2)*	10%	9%
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 reduced tax rate of 20% (2008: 18%) in 2009. The details are explained below.

(2) In 2009, Gemini and Shuangxiang are subject to PRC enterprise income tax at a reduced rate of 10% (2008: 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 16th March, 2007, the Fifth Plenary Session of the Tenth National People's Congress promulgated the Corporate Income Tax Law of the PRC (the "New Tax Law"), which became effective on 1st January, 2008. Further, the State Council released the Implementation Rules to the Corporate Income Tax Law (the "Implementation Rules") on 6th 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 26th December, 2007.

According to the New Tax Law, effective on 1st January, 2008, the standard income tax rate for PRC enterprises is reduced from 33% to 25%. Further, according to the Notice 39, for enterprises located in economic and technological development zones which had previously enjoyed a reduced tax rate of 15%, 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 foreign investment enterprises ("FIEs"), Gemini and Shuangxiang had kick started their Tax Holiday ("Tax Holiday") under the old PRC Foreign Enterprise Income Tax ("FEIT") regime in 2006. As such, the companies were exempted from FEIT in 2006 and 2007. According to Notice 39, the unexpired Tax Holiday enjoyed by FIEs established before 16th March, 2007 is allowed to continue after implementation of New Tax Law on 1st January, 2008 until expiry of the Tax Holiday. As such, the applicable enterprise income tax 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 will expire) 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.

Under the New Tax Law and Implementation Rules starting from 1st 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 BVI, which currently has not entered into a DTA with China, dividends distributed by the PRC subsidiaries would be subject to withholding tax at 10%. Dividends receivable by the Group from subsidiaries in the PRC in respect of their undistributed profits accumulated up to 31st December, 2007 are exempted from withholding tax.

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

	2009	**2008**
	RMB'000	*RMB'000*
(Loss)/profit before taxation	(403,521)	35,770
Notional tax on (loss)/profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	(79,368)	10,579
Tax effect of non-deductible expenses	4,417	15,214
Tax effect of non-taxable income	(422)	(218)
Tax effect of differential tax rates	(9,142)	(1,300)
Tax effect of temporary differences and tax losses not recognised	41,196	—
Effect of change in tax rate on the deferred tax balances	—	316
Actual tax (benefit)/expense	(43,319)	24,591

7. DIRECTORS' REMUNERATION

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

	Directors' fees		Salaries and other emoluments		Retirement scheme contributions		Total	
	2009	2008	2009	2008	2009	2008	2009	2008
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:								
Lin Wan Qaing	—	—	424	760	12	13	436	773
Lin Wan Xin	—	—	316	297	—	—	316	297
Xiang Song	—	—	317	346	—	—	317	346
Hu Zhao Rui	—	—	236	361	—	—	236	361
Tong Yiu On (resigned on 7th November, 2008)	—	—	216	557	4	11	220	568
Liu Zhao Cai (resigned on 7th February, 2009)	—	—	236	458	—	—	236	458
Independent non-executive directors:								
Pan Chang Chi	106	60	—	—	—	—	106	60
Cai Xun Shan	106	60	—	—	—	—	106	60
Cheung Chuen	106	87	—	—	—	—	106	87
	318	207	1,745	2,779	16	24	2,079	3,010

8. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four (2008: five) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other one (2008: Nil) individual are as follows:

	2009	2008
	RMB'000	*RMB'000*
Salaries and other emoluments	289	—
Retirement scheme contributions	7	—
	296	—

The emoluments of the one (2008: Nil) individual with the highest emoluments are within the following band:

	2009 Number of individuals	2008 Number of individuals
RMB Nil–500,000	1	—

9. LOSS ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of approximately RMB16,844,000 (2008: RMB79,445,000) 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:

	2009	2008
	RMB'000	*RMB'000*
Amount of loss attributable to equity shareholders dealt with in the Company's financial statements	(16,844)	(79,445)
Final dividends from subsidiaries attributable to the profits of the previous financial year, approved and paid during the year	—	27,843
Impairment loss on amounts due from subsidiaries	(203,137)	—
Company's loss for the year *(note 28(b))*	(219,981)	(51,602)

10. DIVIDENDS

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

	2009	2008
	RMB'000	*RMB'000*
Final dividend proposed after the balance sheet date of HK$ nil (equivalent to RMB nil) per ordinary share (2008: HK$0.004 (equivalent to approximately RMB0.003536) per ordinary share)	—	1,977

The final dividend proposed after the balance sheet date of 2008 was not recognised as a liability at 30th June, 2008.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2009	2008
	RMB'000	*RMB'000*
Final dividend of HK$0.004 (equivalent to approximately RMB0.003) per ordinary share (2008: HK$0.035 (equivalent to approximately RMB0.0325) per ordinary share) in respect of the previous financial year, approved and paid during the year	1,969	18,164

11. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to equity shareholders of the Company of RMB360,202,000 (2008: profit of RMB11,179,000) and the weighted average number of 558,965,000 (2008: 558,332,000) ordinary shares in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2009	**2008**
	'000	*'000*
Issued ordinary shares at 1st July, 2008/2007	558,965	553,169
Effect of share options exercised	—	3,789
Effect of exercise of subscription rights attached to convertible bonds	—	1,408
Effect of shares repurchased	—	(34)
Weighted average number of ordinary shares at 30th June, 2009/2008	558,965	558,332

(b) Diluted (loss)/earnings per share

The diluted loss per share for the year ended 30th June, 2009 is the same as the basic loss per share as the potential ordinary shares are anti-dilutive.

The calculation of diluted earnings per share for the year ended 30th June, 2008 was based on the profit attributable to equity shareholders of the Company of RMB11,179,000 and the weighted average number of 560,339,000 ordinary shares in issue during the year after adjusting for the effect of all dilutive potential shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2009	**2008**
	'000	*'000*
Weighted average number of ordinary shares at 30th June	558,965	558,332
Effect of deemed issue of ordinary shares under the Company's share option scheme for nil consideration per share *(note 30)*	—	2,007
Weighted average number of ordinary shares (diluted) at 30th June	558,965	560,339

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 services

	PCBs		PCBs assembling products		SMT processing		Inter-segment elimination		Unallocated		Consolidated	
	2009	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**	**2009**	**2008**
	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	303,113	484,123	4,953	59,481	8,874	20,713	—	—	—	—	316,940	564,317
Inter-segment revenue	—	—	—	—	—	—	—	—	—	—	—	—
Total	303,113	484,123	4,953	59,481	8,874	20,713	—	—	—	—	316,940	564,317
Segment result	(244,458)	133,508	(45,221)	(1,542)	(81,023)	(537)					(370,702)	131,429
Unallocated operating income and expenses											(12,953)	(13,826)
(Loss)/profit from operations											(383,655)	117,603
Finance costs											(19,866)	(81,833)
Taxation											43,319	(24,591)
(Loss)/profit after taxation											(360,202)	11,179
Depreciation and amortisation for the year	27,259	19,060	3,461	4,336	6,200	1,510	—	—	11	8	36,931	24,914
Impairment of non-current assets	190,157	—	37,941	—	67,980	—	—	—	—	—	296,078	—
Segment assets	1,087,864	1,310,894	60,678	226,868	108,716	79,003	(162,640)	(60,248)	122,049	11,801	1,216,667	1,568,318
Segment liabilities	262,773	143,612	12,697	51,600	22,749	17,969	(162,640)	(60,248)	446,623	489,252	582,202	642,185
Capital expenditure incurred during the year	209,627	35,409	6,323	10,366	11,328	3,610	—	—	46	21	227,324	49,406

(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), Australia and Germany.

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Segment revenue		
— PRC, excluding Hong Kong and Taiwan	225,210	444,687
— Hong Kong	40,457	40,064
— Australia	29,048	37,131
— Germany	5,619	7,595
— Malaysia	2,308	3,154
— USA	1,013	1,186
— Others	13,285	30,500
Total revenue from external customers	316,940	564,317

All segment assets and related capital expenditure incurred during the year are located in the PRC (excluding Hong Kong and Taiwan) as at 30th June, 2009 and 2008.

13. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

Year 2007/2008

	Buildings held for own use *RMB'000*	Machinery *RMB'000*	Fixture, furniture and equipment *RMB'000*	Motor vehicles *RMB'000*	Construction-in-progress *RMB'000*	Total *RMB'000*
Cost or valuation:						
At 1st 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 30th 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 1st 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 30th June, 2008	—	88,318	5,339	3,421	—	97,078
Net book value:						
At 30th June, 2008	249,140	117,242	4,334	2,944	16,639	390,299

Year 2008/2009

	Buildings held for own use	Machinery	Fixture, furniture and equipment	Motor vehicles	Construction-in-progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost or valuation:						
At 1st July, 2008	249,140	205,560	9,673	6,365	16,639	487,377
Additions	—	54,592	294	173	172,265	227,324
Disposals	(30,501)	(14,613)	(405)	—	(299)	(45,818)
Transfer to fixed assets	20,501	—	95,787	—	(116,288)	—
Exchange adjustments	—	—	1	—	—	1
At 30th June, 2009	239,140	245,539	105,350	6,538	72,317	668,884
Representing:						
Cost	—	245,539	105,350	6,538	72,317	429,744
Valuation	239,140	—	—	—	—	239,140
	239,140	245,539	105,350	6,538	72,317	668,884
Accumulated depreciation and impairment losses:						
At 1st July, 2008	—	88,318	5,339	3,421	—	97,078
Depreciation charge for the year	11,904	16,100	7,811	616	—	36,431
Impairment losses	111,156	56,180	32,229	1,792	57,423	258,780
Written back on disposals	(1,305)	(12,213)	(360)	—	—	(13,878)
Exchange adjustments	—	—	1	—	—	1
At 30th June, 2009	121,755	148,385	45,020	5,829	57,423	378,412
Net book value:						
At 30th June, 2009	117,385	97,154	60,330	709	14,894	290,472

The construction-in-progress at 30th June, 2009 primarily relates to the additional production premises and facilities of subsidiaries in the PRC.

Impairment loss

During the year, the Group experienced a significant drop in demand for its PCBs and related products under the prevailing market environment and consequently recorded operating losses. The directors considered that the existence of the above conditions indicated that non-current assets of the Group's operating subsidiaries in the PRC may be impaired. In view of this, the directors prepared a cash flow projection to estimate the recoverable amount of these assets.

The estimates of recoverable amount were determined based on a value in use calculation using cash flow projections based on the five-year financial forecast approved by the directors, and a pre-tax discount rate.

Cash flows beyond the five-year period had been extrapolated using a zero growth rate to cover the remaining useful lives of related non-current assets.

Key assumptions used for the value in use calculation:

Sales volume growth rate	9%–37%
Gross contribution rate	7%–37%
Pre-tax discount rate	13.87%–15.05%

The directors determined the growth rate and gross contribution rate based on the expectation for market development.

The directors concluded that it is appropriate to recognise an impairment losses of RMB296,078,000 against these non-current assets, details of which are as follows:

		The Group
		2009
	Note	*RMB'000*
Property, plant and equipment	*13(a)*	258,780
Deposits for the purchase of property, plant and equipment		37,298
		296,078
Charged to profit or loss		282,338
Charged to building valuation reserve		13,740
		296,078

(b) The Company

	Fixture, furniture and equipment	
	2009	**2008**
	RMB'000	*RMB'000*
Cost:		
At 1st July, 2008/2007 and 30th June, 2009/2008	125	125
Accumulated depreciation:		
At 1st July, 2008/2007	112	112
Depreciation charge for the year	—	—
At 30th June, 2009/2008	112	112
Net book value:		
At 30th June, 2009/2008	13	13

(c) All the Group's buildings are located in the PRC. At 30th June, 2008, the Group's buildings were revalued 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 a depreciated replacement cost basis.

(d) The Group leased certain machinery under finance leases for two to four years. At the end of the lease term the Group had the option to purchase the machineries at a price deemed to be a bargain purchase option. None of the leases included contingent rentals. The Group did not have any assets held under finance lease as at 30th June, 2009.

At 30th June, 2008, the net book value of machinery of the Group held under finance leases was RMB28,028,000.

(e) Had the buildings held for own use of the Group been carried at cost less accumulated depreciation, the carrying amount would have been RMB218,747,000 (2008: RMB240,359,000).

14. INTERESTS IN LEASEHOLD LAND HELD FOR OWN USE UNDER OPERATING LEASE

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

	The Group 2009 *RMB'000*	The Group 2008 *RMB'000*
Outside Hong Kong — medium-term leases	18,143	18,643

15. INVESTMENTS IN SUBSIDIARIES

	The Company 2009 *RMB'000*	The Company 2008 *RMB'000*
Unlisted shares, at cost	93,975	93,975

Details of the subsidiaries as at 30th June, 2009 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	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Superford Holding Limited ("Superford")	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/ Hong Kong	100 shares of US$1 each	100%	100%	—	Investment holding
Fuqiang*	PRC	RMB109,652,300	100%	—	100%	Manufacturing and trading of PCBs
Gemini*	PRC	US$10,760,000	100%	—	100%	Manufacturing and trading of PCBs
Shuangxiang*	PRC	US$14,201,738	100%	—	100%	Manufacturing and trading of PCBs assembling products and provision for SMT processing services
Haichuang*	PRC	US$8,951,100	100%	—	100%	Not yet commenced business

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

The shares of certain subsidiaries were pledged as part of the security against financing facilities granted to the Company. The total net asset value of these subsidiaries as at 30th June, 2009 is disclosed in note 22(ii).

16. TRADING SECURITIES

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Equity securities listed outside Hong Kong, at fair value	1,570	—

17. INVENTORIES

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Raw materials	16,131	23,659
Work-in-progress	5,046	7,094
Finished goods	4,820	14,706
	25,997	45,459

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

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Carrying amount of inventories sold	275,866	384,428
Write down of inventories	1,327	8,000
Reversal of write-down of inventories	(6,500)	(80)
	270,693	392,348

18. TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Bills receivable	13,810	644	—	—
Trade receivables	143,508	203,686	—	—
Less: allowance for doubtful debts	(69,895)	(11,206)	—	—
	87,423	193,124	—	—
Amounts due from subsidiaries	—	—	410,067	427,231
Rental and other deposits	436	511	—	—
Advances to directors *(note 19)*	381	161	—	—
Advances to employees	808	854	—	—
Prepayments	2,478	2,657	—	—
Others	2,542	4,469	—	—
Less: impairment losses	—	—	(203,137)	—
	94,068	201,776	206,930	427,231

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

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	
	2009	**2008**
	RMB'000	*RMB'000*
Current	76,229	157,862
Less than 1 month past due	2,543	24,065
1 to 3 months past due	1,583	7,678
More than 3 months but less than 12 months past due	6,948	3,519
More than 12 months but less than 2 years past due	120	—
Amount past due	11,194	35,262
	87,423	193,124

The Group's credit policy is set out in note 31(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(i)(i)).

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

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
At 1st July, 2008/2007	11,206	7,878
Impairment loss recognised	68,021	3,328
Write-back of impairment losses	(5,258)	—
Uncollectible amounts written off	(4,074)	—
At 30th June, 2009/2008	69,895	11,206

At 30th June, 2009, the Group's trade receivables and bills receivable of RMB70,484,000 (2008: RMB13,594,000) 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 RMB69,895,000 (2008: RMB11,206,000) were recognised. The Group does not hold any collateral over these balances.

(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	
	2009	**2008**
	RMB'000	*RMB'000*
Neither past due nor impaired	76,145	156,909
Less than 1 month past due	2,544	24,004
1 to 3 months past due	1,409	7,665
More than 3 months but less than 12 months past due	6,736	2,158
	10,689	33,827
	86,834	190,736

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.

19. ADVANCE TO DIRECTORS

Advances to directors of the Company disclosed pursuant to section 161B of the Hong Kong Companies Ordinance are as follows:

Name of borrower	**Mr Lin Wan Xin**	**Mr Hu Zhao Rui**	**Mr Lin Wan Qaing**
Position	Chairman	Director	Director
Terms of the loan			
— duration and repayment terms	Repayable on demand	Repayable on demand	Repayable on demand
— interest rate	Interest free	Interest free	Interest free
— security	None	None	None
Balance of the loan			
— at 1st July, 2007	RMB158,790	RMB2,000	—
— at 30th June, 2008 and 1st July, 2008	RMB58,790	RMB102,000	—
— at 30th June, 2009	RMB278,790	RMB102,000	—
Maximum balance outstanding			
— during 2008/09	RMB278,790	RMB102,000	RMB4,277,879
— during 2007/08	RMB158,790	RMB102,000	—

There was no amount due but unpaid, nor any provision made against the principal amount of these loans at 30th June, 2008 and 2009.

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deposits with banks	8,662	5,324	—	1,017
Cash at bank and in hand	648,450	879,349	1,175	7,458
	657,112	884,673	1,175	8,475
Less: Pledged deposits	(8,662)	(4,307)	—	—
	648,450	880,366	1,175	8,475

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

At 30th June, 2009, cash and cash equivalents of RMB655,202,000 (2008: RMB875,458,000) of the Group were subject to exchange controls in the PRC.

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	58,875	87,490	—	—
Bills payable	17,323	14,351	—	—
Other payables and accruals	14,591	14,839	2,744	4,493
Other tax payable	3,692	4,942	—	—
Payables for the purchase of property, plant and equipment	5,739	4,511	—	—
Staff welfare payable	38,482	29,175	—	—
Utilities and rentals payable	2,802	2,795	—	—
Amounts due to subsidiaries	—	—	71,057	5,097
Amount due to a director	2,422	4,707	4,934	4,747
	143,926	162,810	78,735	14,337

Amount due to a director is unsecured, non-interest bearing and has 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	
	2009	**2008**
	RMB'000	*RMB'000*
Due within 6 months or on demand	76,198	101,841

22. BANK LOANS

At 30th June, 2009, the bank loans were repayable as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year or on demand	250,972	253,822	26,388	99,022
After 1 year but within 2 years	4,000	30,000	—	—
After 2 years but within 5 years	12,000	—	—	—
	266,972	283,822	26,388	99,022

At 30th June, 2009, the bank loans were secured as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Secured by leasehold land and buildings held for own use *(note (i))*	78,000	77,000	—	—
Secured by shares *(note (ii))*	26,388	99,022	26,388	99,022
Secured by bills receivable *(note (iii))*	10,785	—	—	—
Secured by land and buildings of a third party *(note (iv))*	54,000	—	—	—
Unsecured *(note (vii))*	97,799	107,800	—	—
	266,972	283,822	26,388	99,022

Notes:

(i) At 30th June, 2009, certain interest in leasehold land held for own use under operating lease and buildings held for own use of RMB132,271,000 (2008: RMB169,907,000) were pledged to banks for bank loans totalling RMB78,000,000 (2008: RMB77,000,000) granted to the Group.

(ii) As at 30th June, 2009, a bank loan with outstanding principal amount of US$4,000,000 (equivalent to RMB27,509,000) (2008: US$15,000,000 (equivalent to RMB102,852,000)) granted to the Company was secured by the 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 30th June, 2009 was approximately RMB474,166,000 (2008: RMB822,590,000).

(iii) The Group's discounted bills with recourse have been accounted for as collateralised bank advances. The discounted bills receivable and the related proceeds received from discounting banks are included in the Group's "Bills receivable" and "Bank loans" as at the balance sheet date.

(iv) As at 30th June, 2009, bank loans totalling RMB54,000,000 (2008: RMB Nil) granted to the Group were secured by land and buildings of an unrelated individual, Zhou Hong Mei. The directors have confirmed that this individual is not related to the Group.

(v) At 30th June, 2009, the Group did not have any undrawn committed borrowing facilities (2008: RMB Nil).

(vi) At 30th June, 2008, the Company had breached one of the covenants of a bank loan amounting to RMB99,022,000, which required the Group to maintain its consolidated profits before interest expenses, tax on income and profits, tax credits, depreciation, amortisation, exceptional items and any extraordinary items ("EBITDA") at not less than seven times the Group's interest expenses. Included in the amount utilised was 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 was classified as current liabilities in the consolidated and company balance sheets as at 30th June, 2008 as the Company did 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 Company signed a Waiver Agreement with the bank in December 2008 (the "Waiver Agreement"), allowing the Company to repay the loan under a revised schedule and settle the outstanding amount in terms of instalments from January 2009 to October 2009. However, at 30th June, 2009, the Company breached one of the conditions imposed under the Waiver Agreement that restricted the Group's capital expenditure at a ceiling of US$1,000,000 (equivalent to approximately RMB6,877,000). At 30th June, 2009, the outstanding principal amount of the bank loan was US$4,000,000 (equivalent to approximately RMB27,509,000). Subsequent to the balance sheet date, the Company defaulted on payment of the monthly instalment of US$1,000,000 (equivalent to approximately RMB6,877,000) due in August 2009. After discussion with the bank, the Company settled US$700,000 (equivalent to approximately RMB4,814,000) in September 2009. The directors are currently in discussion with the bank for a revised repayment schedule to have the remaining balance of the bank loan fully settled by 31st December, 2009.

Other than the above, none of the covenants relating to drawn down facilities had been breached as at 30th June, 2009 (2008: RMB Nil). Further details of the Group's management of liquidity risk are set out in note 31(b).

(vii) A corporate guarantee has been issued by the Company in respect of bank loans of RMB83,800,000 (2008: RMB83,800,000) 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 (2008: RMB83,800,000). 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.

23. OBLIGATIONS UNDER FINANCE LEASES

At 30th June, 2009, the obligations under finance leases were repayable as follows:

	The Group					
	2009			2008		
	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	—	—	—	2,591	150	2,741
After 1 year but within 2 years	—	—	—	510	9	519
	—	—	—	3,101	159	3,260

24. INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	The Group	
	2009	2008
	RMB'000	*RMB'000*
Provision for PRC enterprise income tax for the year	8,786	21,367
PRC enterprise income tax paid relating to the current year	(8,786)	(16,638)
	—	4,729

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

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

	The Group			
	General provision	**Withholding tax on undistributed profits of PRC subsidiaries**	**Others**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Deferred tax arising from:				
At 1st 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 30th June, 2008	(2,392)	5,280	1,532	4,420
At 1st July, 2008	(2,392)	5,280	1,532	4,420
Charged/(credited) to profit or loss	2,392	1,581	(56,078)	(52,105)
Credited to reserves	—	—	(3,204)	(3,204)
At 30th June, 2009	—	6,861	(57,750)	(50,889)

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Net deferred tax assets recognised on the balance sheet	(57,750)	(2,147)
Net deferred tax liabilities recognised on the balance sheet	6,861	6,567
	(50,889)	4,420

(c) Deferred tax assets not recognised:

At 30th June, 2009, the Group had not recognised deferred tax assets in respect of tax losses and other deductible temporary differences of approximately RMB15,168,000 (2008: RMB52,000) and RMB196,784,000 (2008: RMB Nil) respectively as it was not probable that future taxable profits against which the losses could be utilised would be available in the relevant tax jurisdiction and entity. The tax losses will expire within five years.

25. DERIVATIVE FINANCIAL INSTRUMENTS

	The Group and the Company	
	2009	2008
	RMB'000	*RMB'000*
As at 1st July, 2008/2007	165,067	151,280
Payments made during the year	(3,434)	(30,931)
Change in fair value	—	60,334
Loss on termination	1,087	—
Exchange adjustments	372	(15,616)
Derecognition upon termination *(note 26)*	(163,092)	—
Structured interest rate swaps as at 30th June, 2009/2008	—	165,067

During the year ended 30th 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 (the "Upfront Payments") of approximately RMB113,490,000 were received at the inception of the Swap Agreements and were initially recognised as derivative financial liabilities in the balance sheet. The Swap Agreements were remeasured at fair value as provided and estimated by Deutsche Bank AG using a valuation technique based on certain assumptions at each balance sheet date.

The Swap Agreements are structured and packaged utilising a combination of different financial instruments. These may include but were not limited to cash instruments, futures and forward instruments, options instruments and other types of derivatives. The fair value of the Swap Agreements at each balance sheet date, besides taking into account the expected cashflows of the Swap Agreements, also took 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 Deutsche Bank AG believed to be appropriate at the time of calculating the fair value, affected the final valuation of the Swap Agreements. During the year ended 30th June, 2008, a loss on change in fair value of RMB60,334,000 was recognised in profit or loss.

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:	14th February, 2007	19th April, 2007
Maturity date:	14th February, 2012	19th 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 Swap Agreements, the Group was required to settle with Deutsche Bank AG semi-annually on a net basis. During the year ended 30th June, 2009, the Group made payments of approximately RMB3,434,000 (2008: RMB30,931,000) to Deutsche Bank AG, of which RMB3,434,000 (2008: RMB20,072,000) was financed by the controlling shareholder of the Company. The details of the financial assistance from the controlling shareholder are disclosed in note 27.

On 12th November, 2008, the Swap Agreements were early terminated by Deutsche Bank AG as a result of the Company not paying the interest payment under the Swap 2 on the due date in October 2008 and the Company received a statement of demand dated 13th November, 2008 for an early termination amount (the "Termination Amount") of US$23,714,693 (equivalent to approximately RMB163,092,000) and a loss of RMB1,087,000 was recognised upon termination of the Swap Agreements on the same date. Subsequently, Deutsche Bank AG filed a claim at the High Court of Hong Kong against the Company, details of which are set out in note 33. The Termination Amount remained unsettled with Deutsche Bank AG as at 30th June, 2009 and is included under "Other financial liabilities" (see note 26) in the balance sheet as at that date.

26. OTHER FINANCIAL LIABILITIES

	The Group and the Company 2009 *RMB'000*
Upon early termination of Swaps on 12th November, 2008 *(note(i))*	163,092
Accrued interest *(note(ii))*	1,351
At 30th June, 2009	164,443

Notes:

(i) The balance represents the Termination Amount demanded by Deutsche Bank AG as a result of the early termination of the Swap Agreements by Deutsche Bank AG (see note 25).

(ii) Interest is accrued on the Termination Amount for the period from 12th November, 2008 to 30th June, 2009 at a rate per annum equal to the cost to Deutsche Bank AG if it were to fund the relevant amount plus 1% per annum in accordance with the ISDA 2002 Master Agreement of the Swap Agreements. The directors used the overnight USD London Interbank Offered Rates plus 1% per annum to estimate the accrued interest.

27. AMOUNT DUE FROM/(TO) THE CS

	The Group and the Company 2009 RMB'000	2008 RMB'000
Amount due from the CS — current assets	61,975	—
Amount due to the CS — non-current liabilities	—	(16,089)

In order to minimise speculation on the financial exposure of the Company under the Swap Agreements, on 12th December, 2007, Mr Lin Wan Qaing, the CS and a director of the Company, 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 Swap Agreements to the extent as follows:

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

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

— at the maturity date of the Swap Agreements, 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 the payments of approximately RMB113,490,000 received at the inception of the Swap Agreements ("Upfront Payments") as disclosed in note 25 and the amount received from Deutsche Bank AG), 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.

In addition, under the Deed, the CS shall indemnify and at all times keep the Company fully indemnified against all liabilities, claims, damages, costs and expenses which the Company may suffer, incur or sustain by reason of the CS's failure in his performance of obligations under the Deed.

As a result of the arrangement under the Deed, given the CS is assuming the 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 than it receives from Deutsche Bank AG (i.e. the Company makes a loss), the maximum future cash outflows of the Company under the Swap Agreements will be contained at the amount of the Upfront Payments. If however, the aggregate receivables by the Company from Deutsche Bank AG is greater than the payables by the Company to Deutsche Bank AG (i.e. the Company makes a gain), this would mean that the amount actually paid out by the CS is less than the amount received by the Company, the Company will still be entitled to keep the difference (i.e. net amount 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.

The movements during the year are as follows:

	The Group and the Company 2009 *RMB'000*	2008 *RMB'000*
As at 1st July, 2008/2007	(16,089)	—
Payments made by the CS to Deutsche Bank AG during the year	(3,434)	(20,072)
Fair value adjustment of amount due to the CS *(note (i))*	561	3,272
Interest on amount due to the CS *(note (i))*	(288)	(175)
Contributions by the CS upon termination *(note (ii))*	81,167	—
Exchange adjustments	58	886
As at 30th June, 2009/2008	61,975	(16,089)

Notes:

(i) In accordance with the accounting policies set out in notes 1(m) and (v), the amount of financial assistance received is initially recognised at fair value, as the indemnified amounts were expected to be settled upon original maturity dates of the Swap Agreements in 2012. During the year ended 30th June, 2009, a total amount of RMB561,000 (2008: RMB3,272,000), being the difference between the fair value based on expected cash flows and the nominal amount of cash received by the Company was recognised as a 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.

(ii) According to the Deed, the CS is obligated to indemnify the Company the semi-annual interest payments made after the execution of the indemnity, the early termination amount, the interest accrued subsequent to termination and all related costs incurred thereon, while the Company will be required to reimburse the CS such amount equivalent to the sum actually paid by the CS to the Company under the Deed to the extent of the amount of the Company's Cash Inflow from Deutsche Bank AG.

28. CAPITAL AND RESERVES

(a) The Group

	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 redemption reserve (note (viii))	Retained profits	Total equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1st July, 2007	58,123	244,971	3,209	3,440	63,947	2,001	4,030	—	—	507,066	886,787
Exchange difference on translation of financial statements of operations outside PRC	—	—	—	—	—	26,611	—	—	—	—	26,611
Surplus on revaluation of buildings held for own use, net of deferred tax	—	—	—	—	—	—	10,397	—	—	—	10,397
Issue of shares upon exercise of subscription rights attached to the convertible bonds	186	1,655	—	—	—	—	—	—	—	—	1,841
Issue of shares under the 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	—	—
Fair value adjustment of amount due to the CS	—	—	—	—	—	—	—	3,272	—	—	3,272
Dividend approved in respect of the previous year *(note 10(b))*	—	(10,780)	—	—	—	—	—	—	—	(7,384)	(18,164)
Profit for the year	—	—	—	—	—	—	—	—	—	11,179	11,179
Appropriations to statutory reserve	—	—	—	10,834	—	—	—	—	—	(10,834)	—
At 30th June, 2008	58,661	239,811	3,083	14,274	63,947	28,612	14,427	3,272	19	500,027	926,133
At 1st July, 2008	58,661	239,811	3,083	14,274	63,947	28,612	14,427	3,272	19	500,027	926,133
Exchange difference on translation of financial statements of operations outside PRC	—	—	—	—	—	(689)	—	—	—	—	(689)
Realisation of surplus on revaluation of buildings held for own use upon disposal, net of deferred tax	—	—	—	—	—	—	(3,891)	—	—	3,891	—
Impairment of buildings held for own use, net of deferred tax	—	—	—	—	—	—	(10,536)	—	—	—	(10,536)
Fair value adjustment of amount due to the CS	—	—	—	—	—	—	—	561	—	—	561
Contributions by the CS upon termination of derivative financial instruments	—	—	—	—	—	—	—	81,167	—	—	81,167
Dividend approved in respect of the previous year *(note 10(b))*	—	(1,969)	—	—	—	—	—	—	—	—	(1,969)
Loss for the year	—	—	—	—	—	—	—	—	—	(360,202)	(360,202)
Lapse of share options	—	—	(337)	—	—	—	—	—	—	337	—
At 30th June, 2009	58,661	237,842	2,746	14,274	63,947	27,923	—	85,000	19	144,053	634,465

(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 1st 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 the convertible bonds	186	1,655	—	—	—	—	—	—	1,841
Issue of shares under the 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	—	—
Fair value adjustment of amount due to the CS	—	—	—	—	—	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 30th June, 2008	58,661	239,811	3,083	21,302	—	3,272	19	(90,969)	235,179
At 1st July, 2008	58,661	239,811	3,083	21,302	—	3,272	19	(90,969)	235,179
Exchange difference on translation of financial statements of the Company into RMB	—	—	—	(455)	—	—	—	—	(455)
Fair value adjustment of amount due to the CS	—	—	—	—	—	561	—	—	561
Contributions by the CS upon termination of derivative financial instruments	—	—	—	—	—	81,167	—	—	81,167
Lapse of share options	—	—	(337)	—	—	—	—	337	—
Dividend approved in respect of the previous year *(note 10(b))*	—	(1,969)	—	—	—	—	—	—	(1,969)
Loss for the year	—	—	—	—	—	—	—	(219,981)	(219,981)
At 30th June, 2009	58,661	237,842	2,746	20,847	—	85,000	19	(310,613)	94,502

Notes:

(i) Share-based compensation reserve represents the value of share options granted to the option holders which give them the right to subscribe for ordinary shares of the Company (note 30).

(ii) According to the relevant rules and regulations in the PRC, Gemini, Shuangxiang, Fuqiang and Haichuang are required to appropriate 10% of their 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 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(s).

(v) The revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for buildings in note 1(f)(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 27) initially recognised in the financial statements and the nominal amount of cash received/receivable 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.

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 30th June, 2009, the Company's reserves available for distribution to shareholders amounted to RMB Nil (2008: RMB173,227,000) computed in accordance with the Companies Law (Revised) of the Cayman Islands and the Company's articles of association.

(c) Authorised and issued share capital

	The Group and the Company			
	2009		**2008**	
	Number of shares	**Amount**	**Number of shares**	**Amount**
	'000	*RMB'000*	*'000*	*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 1st July	558,965	58,661	553,169	58,123
Issue of shares upon exercise of subscription rights attached to the convertible bonds	—	—	2,000	186
Issue of shares under the share option scheme	—	—	4,000	371
Shares repurchased	—	—	(204)	(19)
At 30th June	558,965	58,661	558,965	58,661

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*

The Company did not repurchase any of its own shares during the year ended 30th June, 2009.

During the year ended 30th 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.

(ii) *Shares issued under the share option scheme*

During the year ended 30th June, 2008, 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 RMB3,981,000 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(o)(ii).

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

As at 30th June, 2008, all subscription rights attached to the convertible bonds had expired.

(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.

The net debt-to-capital ratio at 30th June, 2009 and 2008 was as follows:

		The Group		The Company	
		2009	**2008**	**2009**	**2008**
	Note	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	*22*	266,972	283,822	26,388	99,022
Obligations under finance leases	*23*	—	3,101	—	—
Trade and other payables	*21*	143,926	162,810	78,735	14,337
Derivative financial instruments	*25*	—	165,067	—	165,067
Amount due to the CS	*27*	—	16,089	—	16,089
Other financial liabilities	*26*	164,443	—	164,443	—
Total debt		575,341	630,889	269,566	294,515
Less: Cash and cash equivalents	*20*	(648,450)	(880,366)	(1,175)	(8,475)
Net (cash)/debt		(73,109)	(249,477)	268,391	286,040
Total equity	*28*	634,465	926,133	94,502	235,179
Net debt-to-capital ratio		N/A	N/A	284%	122%

As imposed by a bank loan agreement between a bank and the Company, the Group is required to maintain a 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 were subject to externally imposed capital requirements in either the current or prior year.

29. 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.

30. EQUITY SETTLED SHARE-BASED TRANSACTIONS

The Company adopted a share option scheme for a period of 10 years commencing from 9th 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 years 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 employees:			
— on 4th September, 2006	5,500,000	Immediate at the date of grant	3 years
Options granted to directors:			
— on 4th September, 2006	6,500,000	Immediate at the date of grant	3 years
Total share options	12,000,000		

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

	2009		2008	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at 1st July, 2008/2007	HK$1.038	12,000,000	HK$1.072	16,000,000
Exercised during the year	—	—	HK$1.172	(4,000,000)
Lapsed during the year	HK$1.038	(1,500,000)	—	—
Outstanding at 30th June, 2009/2008	HK$1.038	10,500,000	HK$1.038	12,000,000
Exercisable at 30th June, 2009/2008		10,500,000		12,000,000

No share option was exercised during the year. The weighted average share price at the date of exercise for shares options exercised during the year ended 30th June, 2008 was RMB1.604.

The options outstanding at 30th June, 2009 had an exercise price of RMB1.038 (2008: RMB1.038) and a weighted average remaining contractual life of 0.17 years (2008: 1.17 years).

(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 was measured based on Black-Scholes-Merton Option Pricing Model as follows:

	Options granted on 4th September, 2006
Fair value at measurement date	HK$0.2554
Exercise price	HK$1.038
Risk free rate	3.933%
Nature of the share options	Call
Expected life	3 years
Expected volatility	37.659%
Expected dividend yield	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.

31. FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. 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 22(vii), 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 22(vii).

For year ended 30th June, 2009, the largest and the five largest customers of the Group in aggregate accounted for approximately 15% (2008: 12%) and 44% (2008: 41%) respectively of the Group's total sales. At 30th June, 2009, approximately 26% (2008: 1%) and 46% (2008: 36%) 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 condition. 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 and 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

	2009				
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	266,972	276,202	258,687	4,937	12,578
Trade and other payables	143,926	143,926	143,926	—	—
Other financial liabilities	164,443	164,443	164,443	—	—
	575,341	584,571	567,056	4,937	12,578

	2008				
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*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	—	—
Amount due to the CS	16,089	19,361	—	—	19,361
	465,822	481,224	430,308	31,555	19,361

The Company

	2009				
	Carrying amount	**Total contractual undiscounted cash flow**	**Within 1 year or on demand**	**More than 1 year but less than 2 years**	**More than 2 years but less than 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Bank loans	26,388	26,629	26,629	—	—
Other payables	78,735	78,735	78,735	—	—
Other financial liabilities	164,443	164,443	164,443	—	—
	269,566	269,807	269,807	—	—

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

For the years ended 30th June, 2008 and 2009, under the Deed executed by the CS (see note 27), the Group's liquidity risk arising from the Swap Agreements (see note 25) and the early termination of the Swap Agreements (see note 26) was fully covered.

(c) Interest rate risk

The Group's interest rate risk arises primarily from bank loans. Bank loans 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.

(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 pledged deposits) at the balance sheet date.

	The Group				The Company			
	2009		2008		2009		2008	
	Effective interest rate		Effective interest rate		Effective interest rate		Effective interest rate	
	%	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*	*%*	*RMB'000*
Net fixed rate borrowings:								
Bank loans	5.35	115,584	8.19	53,800	—	—	—	—
Net variable rate borrowings:								
Obligations under finance leases	—	—	4.77	3,101	—	—	—	—
Bank loans	5.15	151,388	6.15	230,022	2.72	26,388	4.50	99,022
Other financial liabilities	1.28	164,443	—	—	1.28	164,443	—	—
Less: Pledged deposits	0.36	(8,662)	0.72	(4,307)	—	—	—	—
Less: Cash and cash equivalents	0.36	(648,450)	0.72	(880,366)	0.01	(1,175)	0.36	(8,475)
		(341,281)		(651,550)		189,656		90,547
Total net (deposits)/ borrowings		(225,697)		(597,750)		189,656		90,547
Net fixed rate borrowings as a percentage of total net borrowings		N/A		N/A		0%		0%

(ii) *Sensitivity analysis*

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

	2009	2008
	RMB'000	*RMB'000*
(Decrease)/increase in loss for the year (2008: (increase)/decrease in profit for the year) if interest rates has been 100 basis points higher:		
— for net variable rate borrowings	(1,363)	(1,960)
— for the Swap Agreements *(note 25)*	—	3,352
	(1,363)	1,392
(Increase)/decrease in loss for the year (2008: (increase)/decrease in profit for the year) if interest rates has been 100 basis points lower:		
— for net variable rate borrowings	1,363	1,960
— for the Swap Agreements *(note 25)*	—	96
	1,363	2,056

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 analysis has been performed on the same basis for 2008.

For the year ended 30th June, 2008, apart from the changes in interest rate, the fair value of the Swap Agreements would 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. 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 30th June, 2008. However, it is reasonably expected that such effects on profit or loss of the Group would be significant. As disclosed in note 25, the Swap Agreements were terminated during the year ended 30th June, 2009.

(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.

(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

	2009			2008		
	United States Dollars *'000*	**Euros** *'000*	**Hong Kong Dollars** *'000*	**United States Dollars** *'000*	**Euros** *'000*	**Hong Kong Dollars** *'000*
Trade and other receivables	3,223	326	1,998	3,438	294	2,131
Amount due from the CS	13,911	—	—	—	—	—
Cash and cash equivalents	331	30	125	772	79	603
Trade and other payables	(327)	(45)	(1,756)	(398)	(45)	(1,640)
Bank loans	(3,837)	—	—	(14,431)	—	—
Other financial liabilities	(23,911)	—	—	—	—	—
Amount due to the CS	—	—	—	(1,924)	—	—
Overall net exposure	(10,610)	311	367	(12,543)	328	1,094

The Company

	2009			2008		
	United States Dollars *'000*	**Euros** *'000*	**Hong Kong Dollars** *'000*	**United States Dollars** *'000*	**Euros** *'000*	**Hong Kong Dollars** *'000*
Trade and other receivables	—	—	—	—	—	—
Amount due from the CS	13,911	—	—	—	—	—
Cash and cash equivalents	103	—	—	206	—	—
Bank loans	(3,837)	—	—	(14,431)	—	—
Other financial liabilities	(23,911)	—	—	—	—	—
Amount due to the CS	—	—	—	(1,924)	—	—
Overall net exposure	(13,734)	—	—	(16,149)	—	—

(iii) *Sensitivity analysis*

The following table indicates the instantaneous change in the Group's (loss)/profit after taxation (and retained profits) and other components of consolidated equity that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The Group

	2009			**2008**		
	Increase/ (decrease) in foreign exchange rates	**Effect on loss after taxation and retained profits** *RMB'000*	**Effect on other components of equity** *RMB'000*	**Increase/ (decrease) in foreign exchange rates**	**Effect on profit after taxation and retained profits** *RMB'000*	**Effect on other components of equity** *RMB'000*
United States Dollars	10%	(1,776)	—	10%	(2,059)	—
	(10)%	1,776	—	(10)%	2,059	—
Euros	10%	240	—	10%	291	—
	(10)%	(240)	—	(10)%	(291)	—
Hong Kong Dollars	10%	44	—	10%	99	—
	(10)%	(44)	—	(10)%	(99)	—

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the Group entities' (loss)/profit after taxation and equity measured in the respective functional currencies, translated into Renminbi at the exchange rates ruling at the balance sheet date for presentation purposes.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date, including inter-company payables and receivables within the Group which are denominated in a currency other than the functional currencies of the lender or the borrower. The analysis excludes differences that would result from the translation of the financial statements of operations outside the PRC into the Group's presentation currency. The analysis has been performed on the same basis for 2008.

(e) Equity price risk

The Group is exposed to equity price changes arising from equity investments classified as trading securities which are listed (see note 16).

The Group's listed investments are two mutual funds listed on the Shenzhen Stock Exchange and the Shanghai Stock Exchange respectively. The management monitors regularly the performance of the investments against expectation, as well as the Group's liquidity needs.

(f) Fair values

The non-trade balances between the Company and its subsidiaries and the advances to directors are unsecured, interest-free and repayable on demand. The amount receivable from the CS at 30th June, 2009 is unsecured, interest-free and has no fixed terms of repayment. Given these terms, it is not meaningful to disclose their fair values.

All other significant financial assets and liabilities are carried at amounts not materially different from their fair values as at 30th June, 2009 and 2008.

(g) Reliance on major suppliers

For year ended 30th June, 2009, the largest and the five largest suppliers of the Group in aggregate accounted for approximately 14% (2008: 12%) and 41% (2008: 55%) respectively of the Group's total purchases, evidencing a significant reliance on the Group's largest supplier for the year ended 30th June, 2009. The Group maintains several vendors for each major supply in order to diversify its vendor base. During the years ended 30th June, 2009 and 2008, the Group had not encountered any material disruption of supply of raw materials and components used in the Group's manufacture of PCBs.

32. COMMITMENTS

(a) Capital commitments outstanding at 30th June, 2009 not provided for in the financial statements were as follows:

	The Group	
	2009	**2008**
	RMB'000	*RMB'000*
Contracted for	62,559	35,393
Authorised but not contracted for	43,296	52,978
	105,855	88,371

(b) At 30th June, 2009, the total future minimum lease payments in respect of buildings under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2009	**2008**	**2009**	**2008**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 1 year	461	1,441	—	—
After 1 year but within 5 years	120	430	—	—
	581	1,871	—	—

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 each lease upon expiry when all terms are renegotiated. None of the leases includes contingent rentals.

(c) At 30th June, 2009, a subsidiary of the Company is required to inject capital of RMB88,438,000 (2008: RMB37,389,000) into a wholly owned subsidiary of that subsidiary in the PRC.

33. CONTINGENT LIABILITIES

On 10th November, 2008, Deutsche Bank AG served a notice to the Company to early terminate the Swap Agreements effective on 12th November, 2008 as a result of the Company not paying the interest payment under the Swap 2 on the due date in October 2008. In addition, the Company received a statement dated 13th November, 2008 from Deutsche Bank AG requesting a payment of US$23,714,693 (equivalent to approximately RMB163,092,000) in total as a result of the early termination of the Swap Agreements. Deutsche Bank AG will in due course claim under the indemnity of their reasonable out-of-pocket expenses including legal fees, execution fees and stamp duty, incurred by reason of the enforcement and protection of their rights under the master agreement of the Swap Agreements or by reason of the early termination entered thereunder, including but not limited to costs of collection.

In March 2009, the Company received a Writ of Summons ("the Writ") issued by Deutsche Bank AG as plaintiff, with the Company named as defendant, in a claim arising from the Swap Agreements.

In the Writ, the plaintiff claims against the Company for:

(a) Damages in the liquidated sum of US$23,714,693;

(b) Interest on the said sum of US$23,714,693 at the contractual rate;

(c) Further or alternatively, interest at such rate and for such period as the Court thinks fit under sections 48 and 49 of the High Court Ordinance (Cap 4);

(d) Further or other relief; and

(e) Costs.

After consultation with external legal counsel in June 2009, the Company filed a defence and counterclaim against Deutsche Bank AG and an employee of Deutsche Bank AG to rescind the Swap Agreements transactions for the reason that it had been misrepresented in the true risks associated with the Swap Agreements. The directors have been advised by their external legal counsel that the case will not be concluded in a short period of time and that the outcome is uncertain. Based on the available information to date, the directors are of the opinion that no provision for legal or other related costs is required as at 30th June, 2009.

In addition, under the Deed, the CS undertakes to perform the interest payment obligation of the Company under the Swap Agreements as disclosed in note 27 and is obligated to indemnify the Company against all liabilities, claims, damages, costs and expenses which the Company may suffer by reason of the CS's failure in performance of the said obligations. Accordingly, the CS will honour his obligation to indemnify the Company should the Company be found liable to Deutsche Bank AG's claim.

34. ACCOUNTING ESTIMATES AND JUDGMENTS

Key sources of estimation uncertainty

The method, estimates and judgements the directors use in applying the Group's accounting policies have a significant impact on the Group's financial position and operating results. Notes 25 and 30 contain information about the assumptions and their risk factors relating to fair value of the Swap Agreements and share options granted. 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 a discounted future cash flow to assess the differences between the carrying amount and value in use and provide for impairment losses, if appropriate. Any change in the assumptions adopted in the cash flow forecasts would increase or decrease in the provision for impairment losses and affect the net asset value of the Group and the Company.

Impairment losses 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.

Write-down of inventories

The Group reviews the carrying amounts of the inventories at each balance sheet date to determine whether the inventories are carried at the lower of cost and net realisable value in accordance with accounting policy as set out in note 1(j). Management estimates the net realisable value based on the current market situation and historical experience for 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

Buildings held for own use are stated at their revalued amount less accumulated depreciation and impairment losses. Revaluations are performed regularly. As disclosed in note 13(c), as at 30th June, 2008 the buildings held for own use were revalued by independent professional valuers on an open market value basis. 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.

35. 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	
		2009	**2008**
	Note	*RMB'000*	*RMB'000*
Lease rental charged by He Yu Zhu	*(i)*	277	277
Remuneration for key management personnel	*(ii)*		
— short-term employee benefits		3,563	4,024

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)).

36. POST BALANCE SHEET EVENT

After the restoration which was completed during the year as disclosed in notes 5(d) to the financial statements, the building and underground infrastructure of one of the Company's subsidiaries, Shuangxiang, was damaged again by land subsidence subsequent to the balance sheet date. Up to the date of issue of these financial statements, the directors confirm that the damage did not affect the business operations of Shuangxiang and repair and maintenance work is expected to be performed and accounted for in the financial statements in future periods. At the date of issue of these financial statements, the directors are unable to estimate reliably the costs to be incurred as the Group has not yet concluded with the relevant professionals on how to carry out the restoration.

37. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 30TH JUNE, 2009

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 30th June, 2009 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 result in a restatement of the Group's or the Company's results of operations and financial position.

In addition, the following developments are expected to result in amended disclosures in the financial statements including restatement of comparative amounts in the first period of adoption:

		Effective for accounting periods beginning on or after
HKFRS 8	Operating segments	1st January, 2009
Revised HKAS 1	Presentation of financial statements	1st January, 2009
Amendments to HKFRS 7	Financial instruments: Disclosures — improving disclosures about financial instruments	1st July, 2009
Amendments to HKAS 27	Consolidated and separate financial statements	1st July, 2009

3. INDEBTEDNESS STATEMENT

Borrowings

At the close of business on 31st October, 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had total bank borrowings of RMB246,241,673. Details of the total borrowings are summarised below:

	The Group *RMB'000*
Secured bank loans	
— guaranteed	54,000
— unguaranteed	87,442
	141,442
Unsecured bank loans	
— guaranteed	37,000
— unguaranteed	67,800
	104,800
Total bank borrowings	246,242

Interest in certain leasehold land held for own use under operating lease and buildings held for own use of the Group and equity interest of certain subsidiaries of the Company were secured for bank loans.

Other financial liabilities

At the close of business on 31st October, 2009, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Composite Document, the Group had other financial liabilities of RMB165,001,025. The balance represents the amount demanded by Deutsche Bank AG and the interest accrued thereon for the period from 12th November, 2008 to 31st October, 2009 as a result of the early termination of the Interest Rate Swaps by Deutsche Bank AG.

Contingent liabilities

On 10th November, 2008, Deutsche Bank AG served a notice to the Company to early terminate the Swap Agreements effective on 12th November, 2008 as a result of the Company not paying the interest payment under one of the Swap Agreements on the due date in October 2008. In addition, the Company received a statement dated 13th November, 2008 from Deutsche Bank AG requesting a payment of US$23,714,693 (equivalent to approximately RMB163,092,000) in total as a result of the early termination of the Swap Agreements. Deutsche Bank AG will in due course claim under the indemnity of their reasonable out-of-pocket expenses including legal fees, execution fees and stamp duty, incurred by reason of the enforcement and protection of their rights under the master agreement of the Swap Agreements or by reason of the early termination entered thereunder, including but not limited to costs of collection.

In March 2009, the Company received the Writ issued by Deutsche Bank AG as plaintiff, with the Company named as defendant, in a claim arising from the Swap Agreements.

In the Writ, the plaintiff claims against the Company for:

(a) Damages in the liquidated sum of US$23,714,693;

(b) Interest on the said sum of US$23,714,693 at the contractual rate;

(c) Further or alternatively, interest at such rate and for such period as the Court thinks fit under sections 48 and 49 of the High Court Ordinance (Cap 4);

(d) Further or other relief; and

(e) Costs.

After consultation with external legal counsel in June 2009, the Company filed a defence and counterclaim against Deutsche Bank AG and an employee of Deutsche Bank AG to rescind the Swap Agreements transactions for the reason that it had been misrepresented in the true risks associated with the Swap Agreements. The Directors have been advised by their external legal counsel that the case will not be concluded in a short period of time and that the outcome is uncertain.

In addition, under the Deed of Indemnify, Mr. Lin undertakes to perform the interest payment obligation of the Company under the Swap Agreements as disclosed in note 27 to the financial statements as set out in this Appendix II and is obligated to indemnify the Company against all liabilities, claims, damages, costs and expenses which the Company may suffer by reason of Mr. Lin's failure in performance of the said obligations. Accordingly, Mr. Lin will honour his obligation to indemnify the Company should the Company be found liable to Deutsche Bank AG's claim.

As disclosed in the Open Offer Announcement, the Company entered into the Settlement Agreement on 16th November, 2009 with Deutsche Bank AG for settlement of the Action. Under the Settlement Agreement, the Company is obliged to pay less than US$23,714,693 (equivalent to approximately HK$184,974,605), as full and final settlement of the Action, of which Mr. Lin is obliged to pay HK$29.2 million to the Company for settlement of his obligation under the Deed of Indemnity. Based on the available information up to the Latest Practicable Date, the Directors are of the opinion that no provision for legal or other related costs is required as at 31st October, 2009. Please also refer to the paragraph headed "8. Litigation" in Appendix III of this Composite Document.

Disclaimers

Save as aforesaid and apart from intra-group liabilities and normal trade payables arising from the ordinary course of business of the Group in the approximate sum of RMB66.6 million as at 31st October, 2009, the Group did not have any loan capital issued or agreed to be issued, bank overdrafts, debt securities issued and outstanding, and authorized or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding at the close of business on 31st October, 2009.

Save as disclosed above relating to the settlement of the Action between the Company and Deutsche Bank AG, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31st October, 2009, up to and including the Latest Practicable Date.

4. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material change in the financial or trading position or outlook of the Group since 30th June, 2009, the date to which the latest published audited financial statements of the Group were made up.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than information relating to the Offeror) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Offeror) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

As at the date of this Composite Document, the directors of the Offeror consist of Mr. Sze Ming Yee and Ms. Xu Yue Yue. The directors of the Offeror jointly and severally accept full responsibility for the accuracy of information contained in this Composite Document (other than those relating to the Company) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those expressed by the Company) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document (other than those relating to the Company) the omission of which would make any statement in the Composite Document misleading.

2. SHARE CAPITAL

a. Shares

The authorised and issued Shares of the Company as at the Latest Practicable Date were as follows:

Authorised		*HK$*
1,000,000,000	Shares as at the Latest Practicable Date	100,000,000
Issued and fully paid or credited as fully paid		
558,965,000	Shares as at the Latest Practicable Date	55,896,500
New shares to be issued under the Open Offer		
279,582,500	Open Offer Shares	27,958,250
Total number of Shares issued and to be issued upon completion of the Open Offer		
838,547,500	Shares	83,854,750

All the issued Shares rank *pari passu* with each other in all respects including the rights as to voting, dividends and return of capital.

No new Share was issued since 30th June, 2009, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date.

b. Options

Since 30th June, 2009, the date to which the latest audited financial statements of the Company were made up, and up to the Latest Practicable Date, no share options were exercised and no Shares had been issued due to the exercise of share options of the Company. As at the Latest Practicable Date, no share options of the Company exercisable were outstanding.

Saved as disclosed above, the Company does not have other class of securities, outstanding options, derivatives, warrants or other securities which are convertible or exchangeable into Shares.

3. MARKET PRICES

The table below shows the closing prices per Share on the Stock Exchange on (i) the Latest Practicable Date; (ii) 20th November, 2009, being the Last Trading Day, adjusted as a result of the Open Offer; and (iii) the last trading days of each of the calendar months during the Relevant Period, adjusted as a result of the Open Offer.

Date	**Closing Price** *HK$*
29th May, 2009	0.277
30th June, 2009	0.303
31st July, 2009	0.330
31st August, 2009	0.327
30th September, 2009	0.327
30th October, 2009	0.287
Last Trading Day	0.243
30th November, 2009	0.460
Latest Practicable Date	0.465

The highest and lowest closing price per share (adjusted as a result of the Open Offer) as quoted on the Stock Exchange during the Relevant Period were HK$0.5 per Share on 4th December, 2009, and HK$0.243 per Share on 20th November, 2009 respectively.

4. DISCLOSURE OF INTERESTS AND DEALINGS

a. As at the Latest Practicable Date, the interests of the substantial Shareholders in the Company are as follows:

Name of Shareholders	**Capacity**	**Number of Shares**	**% of total issued Shares**
The Offeror *(Note 1)*	Beneficial owner	399,614,280	71.49
Sze Ming Yee *(Note 1)*	Interest of controlled corporation	399,614,280	71.49
Zhan Hongwei *(Note 2)*	Beneficial owner	110,000,000	19.68
Upbest Securities Company Limited *(Note 3)*	Other	279,482,500	50.00
Atlantis Investment Management Limited	Investment Manager	45,000,000	8.05

Note 1: The Offeror is wholly owned by Sze Ming Yee, who is also a director of the Offeror. The Offeror holds 230,131,780 Shares and in addition is also deemed to be interested in 169,482,500 Shares by virtue of its entering into the Sub-Underwriting Agreement with Upbest Securities Company Limited on 16th November, 2009 to sub-underwrite 169,482,500 Open Offer Shares.

Note 2: Zhan Hongwei is deemed to be interested in 110,000,000 Shares by virtue of its entering into the Sub-Underwriting Agreement with Upbest Securities Company Limited on 16th November, 2009 to sub-underwrite 110,000,000 Open Offer Shares.

Note 3: Upbest Securities Company Limited is deemed to be interested in 279,482,500 Shares by virtue of its entering into an underwriting agreement with the Company on 16th November, 2009 to fully underwrite 279,482,500 Open Offer Shares.

Save for the interests or long positions set out above, the Offeror and parties acting in concert with it did not own or control any Shares and relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

b. During the Relevant Period, save as the acquisition of the Sale Shares by the Offeror from Mr. Lin, none of the Offeror and parties acting in concert with it had dealt in any Shares and relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

c. Save as the interest of Mr. Sze Ming Yee, the ultimate beneficial owner and a director of the Offeror, as disclosed above, none of the Offeror's directors own or control any Shares and relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

d. Save as the acquisition of the Sale Shares from Mr. Lin by the Offeror, in which Mr. Sze Ming Yee is the ultimate beneficial owner and a director of the Offeror, none of the Offeror's directors had dealt in any Shares and relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

e. As at the Latest Practicable Date, the Company was not interested in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeror.

f. During the Relevant Period, the Company had not dealt in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeror.

g. As at the Latest Practicable Date, none of the Directors was interested in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeror and in the Company.

h. During the Relevant Period, none of the directors of the Company had dealt in any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeror.

i. Save as disclosed below, none of the directors of the Company had dealt in Shares and the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period:

Name of director	Date of grant of options	Exercise period	Exercise price *(HK$)*	Number of underlying Shares	% of total issued Shares	Nature of transaction
Hu Zhao Rui	4th September, 2006	4th September, 2006 to 3rd September, 2009	1.038	1,000,000	0.18	Lapse of share options
Lin Wan Xin	4th September, 2006	4th September, 2006 to 3rd September, 2009	1.038	1,000,000	0.18	Lapse of share options
Xiang Song	4th September, 2006	4th September, 2006 to 3rd September, 2009	1.038	1,500,000	0.27	Lapse of share options

No option money had been paid for the share options in the table above.

j. As at the Latest Practicable Date, none of the subsidiaries of the Company, pension fund of the Company or any of its subsidiaries, or advisers to the Company as specified in class (2) of the definition of associate under the Takeovers Code (but excluding exempt principal traders) had any shareholdings in the Company. During the Relevant Period, none of the parties referred to in this paragraph had dealt in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

k. As at the Latest Practicable Date, no fund manager (other than exempt fund managers) connected with the Company managing on a discretionary basis had any shareholdings in the Company. During the Relevant Period, no fund manager (other than exempt fund managers) connected with the Company managing on a discretionary basis had dealt in the relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

5. OTHER ARRANGEMENTS

a. As at the Latest Practicable Date, no person has irrevocably committed to accept or reject the General Offer.

b. As at the Latest Practicable Date, none of the Directors have any interest in the Shares. As such, none of the Directors are concerned with whether to accept or reject the General Offer in respect of their own beneficial shareholdings.

c. No relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company to be acquired in pursuance of the General Offer will be transferred, charged or pledged to any other persons.

d. There is no arrangement of the kind referred to in Note 8 of Rule 22 of the Takeovers Code which existed between the Offeror or any party acting in concert with it or associates of the Offeror and any other person.

e. There is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of associate under the Takeovers Code and any other person.

f. During the Relevant Period, none of the Offeror and parties acting in concert with it, the Company or the Directors have borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Company.

g. There is no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror or any party acting in concert with it and any of the existing or recent directors of the Company or any existing or recent Shareholders having any connection with or dependence upon the General Offer.

h. There is no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the General Offer or otherwise connected with the General Offer.

i. No benefit will be given to any Director as compensation for loss of office or otherwise in connection with the General Offer.

j. There is no agreement or arrangement to which the Offeror is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the General Offer.

k. There is no material contract entered into by the Offeror in which any Director has a material personal interest.

6. DIRECTORS' SERVICE CONTRACTS

a. Each of Mr. Tu Shuguang and Mr. Chan Kin entered into a service contract with the Company on 25th September, 2009 for a term of three years from 25th September, 2009 until 24th September, 2012, with a fixed term of one year commencing on 25th September, 2009, which may be terminated by the Company or by the relevant Director giving to the other party not less than six months' prior written notice after the expiration of the said fixed term. Under the terms of these service contracts, each of Mr. Tu Shuguang and Mr. Chan Kin is entitled to a fixed monthly salary of HK$20,000 and a discretionary year end bonus to be determined annually by the Board in its absolute discretion with reference to the Group's performance and profitability.

b. Save as disclosed in paragraph 6(a) of this Appendix III above, as at the Latest Practicable Date, none of the Directors had any service contracts in force with the Company, its subsidiaries or associated companies which (i) had been entered into or amended within six months before the commencement of the Offer Period (including both continuous and fixed term contracts); (ii) or are continuous contracts with a notice period of twelve months or more; or (iii) are fixed term contracts with more than twelve months to run irrespective of the notice period.

7. MATERIAL CONTRACTS

Save as disclosed below, none of the members of the Group entered into any material contracts, not being contracts entered into in the ordinary course of business carried on or intended to be carried on by the Group, after the date 2 years before the commencement of the Offer Period:

a. The underwriting agreement dated 16th November, 2009 entered into between the Company and the Underwriter in relation to the Open Offer, pursuant to which the Underwriter agreed to underwrite 279,482,500 Open Offer Shares to be issued at HK$0.18 each by the Company under the Open Offer and the Company agreed to pay the Underwriter a commission on the basis of 2.5% of the aggregate amount underwritten, which is estimated to be approximately HK$1.26 million.

b. The irrevocable undertaking dated 20th November, 2009 by the Offeror and parties acting in concert with it to the Company that they will take up all their respective entitlements under the Open Offer, being 115,065,890 Open Offer Shares.

c. The Settlement Agreement.

8. LITIGATION

As disclosed in the announcement of the Company dated 2nd April, 2009, on 31st March, 2009, the Company received the Writ filed by Deutsche Bank AG against the Company claiming the early termination amount in respect of the interest rate swaps set out in the Swap Agreements.

As further disclosed in the Open Offer Announcement, the Company entered into the Settlement Agreement with Deutsche Bank AG on 16th November, 2009 for the settlement of the Action and the Company proposes to apply the proceeds from the Open Offer to settle payment liable under the Settlement Agreement.

Save as disclosed above, as at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

9. CONSENTS

Yu Ming and Pelican Securities have given and have not withdrawn their written consent to the issue of this Composite Document with the inclusion herein of their letters and/or opinions, and references to their names, letters or opinion in the form and context in which they respectively appear.

10. GENERAL

a. The registered address of the Offeror is P.O. Box 957, Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands.

b. The registered office of Yu Ming is Room 1801, 18th Floor, Allied Kajima Building, 138 Gloucester Road, Wanchai, Hong Kong.

c. The registered office of Pelican Securities is Unit 1502, Cosco Tower, 183 Queen's Road Central, Sheung Wan, Hong Kong.

d. The directors of the Offeror are Mr. Sze Ming Yee and Ms. Xu Yueyue.

e. The principal members of the concert group of the Offeror includes Mr. Sze Ming Yee, being the ultimate beneficial owner of the Offeror, whose address is 3/F, Tung Nam Mansion, 67A Waterloo Road, Homantin, Kowloon, Hong Kong; and Mr. Zhan Hong Wei, one of the Sub-underwriters to the Open Offer and a party acting in concert with the Offeror, whose address is 2102, Block 6, Wanke Jinse Jiayuan, Futian District, Shenzhen, Guangdong Province, PRC (廣東省深圳市福田區萬科金色家園6棟2102號).

f. The English text of this Composite Document and the Form of Acceptance shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on any weekday (public holidays excepted) at (i) the head office and principal place of business of the Company at Room 1805, 18/F, Harbour Centre, 25 Harbour Road, Wanchai, Hong Kong; (ii) on the website of the Securities and Futures Commission of Hong Kong (http://www.sfc.hk); and (iii) the website of the Company at http://www.sinotronics.com.cn when the General Offer remains open for acceptance:

a. the memorandum and articles of association of the Company;

b. the memorandum and articles of association of the Offeror;

c. the letter from the Board, the text of which is set out on pages 6 to 10 of this Composite Document;

d. the letter from Yu Ming, the text of which is set out on pages 11 to 16 of this Composite Document;

e. the letter of recommendation from Independent Board Committee, the text of which is set out on page 17 of this Composite Document;

f. the letter of advice from Pelican Securities, the text of which is set out on pages 18 to 30 of this Composite Document;

g. the annual reports of the Company for the year ended 30th June, 2009 and 30th June, 2008 respectively;

h. the material contracts referred to in the paragraph 7 "Material Contracts" in this appendix; and

i. the letters of consent referred to in the paragraph 9 "Consents" in this appendix.