



CHINA PRECISION TECHNOLOGY LIMITED

FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE FIRST QUARTER
ENDED 31 MARCH 2006

**PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3),
HALF-YEAR AND FULL YEAR RESULTS**

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1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

CONSOLIDATED INCOME STATEMENT

	Note	For the 3 months ended		
		31-Mar-06 RMB'000	31-Mar-05 RMB'000	Changes %
Sales		129,704	74,923	73.1
Cost of sales	(a)	(84,609)	(44,901)	88.4
Gross profit		45,095	30,022	50.2
Other gains	(b)	1,180	874	35.0
Expenses				
- Distribution		(6,237)	(3,157)	97.6
- Administrative		(18,382)	(10,911)	68.5
- Finance		(968)	(628)	54.1
- Others		(427)	(385)	10.9
Share of profit of an associated company	(c)	-	263	(100.0)
Profit before income tax	(d)	20,261	16,078	26.0
Income tax expense	(e)	(2,074)	(2,075)	0.0
Profit for the financial period		18,187	14,003	29.9
Attributable to:				
Equity holders of the Company		17,987	14,003	28.5
Minority interest		200	-	N.M
		18,187	14,003	29.9

N.M : Not meaningful

Notes to consolidated Income Statement

(a) Cost of Sales

Cost of sales comprises direct manufacturing costs such as direct labour, direct material and depreciation expenses and indirect manufacturing costs such as indirect labour and consumables.

(b) Other gains

	Group		
	For the 3 months ended		
	31-Mar-06	31-Mar-05	Changes
	RMB'000	RMB'000	%
Subsidy income *	60	206	(70.9)
Scrap sales	719	239	200.8
Interest income	80	26	207.7
Others	321	403	(20.3)
	<u>1,180</u>	<u>874</u>	35.0

* Certain subsidiaries of the Group enjoy certain local government subsidies, at discretionary amounts as determined by the local government, as support for their development and expansion. There is no assurance that the subsidiaries could continue to enjoy such benefits in the future.

(c) Share of profit of an associated company

On 28 October 2005 the Group disposed its 50% equity interest in Suzhou Sunrise Communication Co., Ltd to a third party for a consideration of US\$750,000 (RMB 6,075,000).

(d) Profit before income tax

Profit before income tax is arrived at after charging (crediting) the following items:

	Group		
	For the 3 months ended		
	31-Mar-06	31-Mar-05	Changes
	RMB'000	RMB'000	%
Depreciation of property, plant and equipment	6,614	4,880	35.5
Amortisation of intangible assets	186	44	322.7
Loss/(Gain) on disposal of property, plant and equipment	12	-	N.M
Allowance for impairment of trade receivables	-	-	
Allowance for impairment in inventories	-	-	
Foreign exchange loss - net	425	28	1,417.9
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The following items were written off against the respective allowances made in prior year			
Bad debts	95	-	N.M
Inventories obsolescence	-	-	N.M
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(e) Income tax expense

The Group's effective tax rate for the first quarter ended 31 March 2006 ("1QFY2006") was 10.2% which was lower than the effective tax rate of 12.9% for 1QFY2005 as the profit before tax contributed by Suzhou Zhongxinglian Precision Industry Co., Ltd ("Suzhou Zhongxinglian") and Wuxi Ruite Surface Treatment Co., Ltd ("Wuxi Ruite") were tax-exempt.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	Group		Company	
	31-Mar-06 RMB'000	31-Dec-05 RMB'000	31-Mar-06 RMB'000	31-Dec-05 RMB'000
ASSETS				
Current assets				
Cash and bank balances	48,802	42,065	6,702	262
Trade receivables	125,531	123,234	-	-
Prepayments and other receivables	19,542	12,230	1,022	896
Inventories	50,430	51,656	-	-
	<u>244,305</u>	<u>229,185</u>	<u>7,724</u>	<u>1,158</u>
Non-current assets				
Investment in an associated company	-	-	-	-
Investment in subsidiaries	-	-	93,791	65,273
Property, plant and equipment	170,291	162,268	85	5
Intangible assets	2,579	2,765	-	-
Deferred income tax assets	1,747	1,747	-	-
	<u>174,617</u>	<u>166,780</u>	<u>93,876</u>	<u>65,278</u>
Total assets	<u>418,922</u>	<u>395,965</u>	<u>101,600</u>	<u>66,436</u>
LIABILITIES				
Current liabilities				
Notes and trade payables	76,575	76,568	-	-
Other payables	15,826	19,747	2,863	2,799
Current income tax liabilities	2,089	3,357	-	-
Dividend payable	-	5,629	-	-
Borrowings	64,618	85,624	-	-
Redeemable convertible loan stocks	15,578	33,898	15,578	33,898
	<u>174,686</u>	<u>224,823</u>	<u>18,441</u>	<u>36,697</u>
Non-current liability				
Deferred subsidy income	6,667	6,667	-	-
Total liabilities	<u>181,353</u>	<u>231,490</u>	<u>18,441</u>	<u>36,697</u>
Net assets	<u>237,569</u>	<u>164,475</u>	<u>83,159</u>	<u>29,739</u>
EQUITY				
Capital and reserves attributable to the Company's equity holders				
Share capital	94,517	39,431	94,517	39,431
Share premium	-	159	-	-
Translation reserve	(887)	(109)	(922)	(138)
Statutory reserve	30,306	29,896	-	-
Retained earnings (Accumulated losses)	112,425	94,689	(10,436)	(9,554)
	<u>236,361</u>	<u>164,066</u>	<u>83,159</u>	<u>29,739</u>
Minority interest	1,208	409	-	-
Total equity	<u>237,569</u>	<u>164,475</u>	<u>83,159</u>	<u>29,739</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

	Group 31-Mar-06		Group 31-Dec-05	
	Secured RMB'000	Unsecured RMB'000	Secured RMB'000	Unsecured RMB'000
Redeemable convertible loan stock	-	15,578	-	33,898
Bank loans	31,018	-	52,024	-
Entrusted loans due to a related party	-	33,600	-	33,600
	31,018	49,178	52,024	67,498
Of which:				
Amount due within 1 year	31,018	49,178	52,024	67,498
Amount due after 1 year	-	-	-	-
	31,018	49,178	52,024	67,498

As at 31 March 2006, bank loans were secured by corporate guarantees from subsidiaries, leasehold land of our Group, corporate guarantees from and leasehold land and buildings of, a related party, Zhejiang Zhongxing Precision Industry Co., Ltd.

During the financial period ended 31 March 2006, Tranche 1 of the Redeemable Convertible loan stock amounting to S\$3,850,000 (approximately RMB 19,041,000) was converted into 27,898,551 ordinary shares in the Company.

1(c) **A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.**

CONSOLIDATED CASH FLOW STATEMENT
For the financial period ended 31 March 2006

	Group	
	3 months ended	
Note	31-Mar-06	31-Mar-05
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax	20,261	16,078
Adjustments for:		
Depreciation of property, plant and equipment	6,614	4,880
Interest expense	968	628
Amortisation of intangible assets	186	44
Share of profit of an associated company	-	(263)
Net loss on disposal of property, plant and equipment	12	-
Interest income	(80)	(26)
Effects of foreign exchange on translation	(57)	364
Operating cash flow before working capital changes	<u>27,904</u>	<u>21,705</u>
Change in operating assets and liabilities		
Pledged bank deposits	1,076	(5,139)
Receivables	(9,701)	(16,330)
Inventories	1,226	(8,449)
Payables	(4,124)	3,881
Cash generated from operations	<u>16,381</u>	<u>(4,332)</u>
Interest income received	80	26
Income tax paid	<u>(3,342)</u>	<u>19</u>
Net cash provided by/(used in) operating activities	<u>13,119</u>	<u>(4,287)</u>
Cash flows from investing activities		
Net receipt from repayment of advances (advances) to related parties	92	(504)
Investment in an associated company	-	(2,072)
Purchase of property, plant and equipment	(15,134)	(9,662)
Proceeds from disposal of property, plant and equipment	485	10
Net cash used in investing activities	<u>(14,557)</u>	<u>(12,228)</u>
Cash flows from financing activities		
Repayment of advances from related parties	-	(748)
Proceeds from borrowings, net of repayments	(21,006)	17,216
Dividends paid to former shareholder	(5,629)	-
Proceeds from issuance of JT Redeemable Convertible Loan Stocks	38,228	-
Proceeds from issuance of new ordinary shares	-	1,454
Share issue expenses	(2,183)	(600)
Contribution of capital by a minority shareholder of a subsidiary	599	-
Interest expenses paid	(758)	(628)
Net cash provided by financing activities	<u>9,251</u>	<u>16,694</u>
Net increase in cash and cash equivalents	7,813	179
Cash and cash equivalents at beginning of the financial period	<u>30,257</u>	<u>20,930</u>
Cash and cash equivalents at end of the financial period	A <u><u>38,070</u></u>	<u><u>21,109</u></u>

The reconciliation of the cash and bank balances as disclosed in the consolidated balance sheet to the cash and cash equivalent as disclosed in the consolidated cash flow statement is as follows:

	Group	
<u>Note A</u>	<u>31-Mar-06</u>	<u>31-Mar-05</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Cash and bank balances	48,802	30,728
Less: Restricted deposits	<u>(10,732)</u>	<u>(9,619)</u>
Cash and cash equivalent	<u><u>38,070</u></u>	<u><u>21,109</u></u>

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Attributable to equity holders of the Company					Minority interest	Total equity
	Share capital	Share premium	Translation reserve	Statutory reserve#	Retained earnings/ (Accumulated losses)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2006	39,431	159	(109)	29,896	94,689	409	164,475
Contribution of capital by a minority shareholder of a subsidiary	-	-	-	-	-	599	599
Current translation differences	-	-	(778)	-	-	-	(778)
Net profit for the financial period	-	-	-	-	17,987	-	17,987
Minority shareholder share of results of a subsidiary	-	-	-	-	-	200	200
Transfer from retained earnings to statutory reserve	-	-	-	410	(410)	-	-
Total recognised gains for the financial period	-	-	(778)	410	17,577	200	17,409
Issue of new ordinary shares by the Company	57,269	-	-	-	-	-	57,269
Reclassification	-	(159)	-	-	159	-	-
Shares issue expenses	@ (2,183)	-	-	-	-	-	(2,183)
Balance at 31 March 2006	94,517	-	(887)	30,306	112,425	1,208	237,569
Balance at 1 January 2005	33,659	159	(1,618)	22,966	36,192	-	91,358
Issue of new ordinary shares by the Company	544	910	-	-	-	-	1,454
Current translation differences	-	-	687	-	-	-	687
Net profit for the financial period	-	-	-	-	14,003	-	14,003
Transfer from retained earnings to statutory reserve	-	-	-	1,470	(1,470)	-	-
Total recognised gains for the financial period	-	-	687	1,470	12,533	-	14,690
Shares issue expenses	@ -	(600)	-	-	-	-	(600)
Balance at 31 March 2005	34,203	469	(931)	24,436	48,725	-	106,902

Company	Attributable to equity holders of the Company					Minority interest	Total equity
	Share capital	Share premium	Translation reserve	Statutory reserve#	Retained earnings/ (Accumulated losses)		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2006	39,431	-	(138)	-	(9,554)	-	29,739
Issue of new ordinary shares by the Company	57,269	-	-	-	-	-	57,269
Current translation differences	-	-	(784)	-	-	-	(784)
Net loss for the financial period	-	-	-	-	(882)	-	(882)
Total recognised loss for the financial period	-	-	(784)	-	(882)	-	(1,666)
Shares issue expenses	@ (2,183)	-	-	-	-	-	(2,183)
Balance at 31 March 2006	94,517	-	(922)	-	(10,436)	-	83,159
Balance at 1 January 2005	33,659	-	(1,618)	-	(2,526)	-	29,515
Issue of new ordinary shares by the Company	544	910	-	-	-	-	1,454
Current translation differences	-	-	687	-	-	-	687
Net loss for the financial period	-	-	-	-	(322)	-	(322)
Total recognised gains for the financial period	-	-	687	-	(322)	-	365
Shares issue expenses	@ -	(600)	-	-	-	-	(600)
Balance at 31 March 2005	34,203	310	(931)	-	(2,848)	-	30,734

The statutory reserve represents amounts set aside in compliance with local laws in the People's Republic of China where subsidiaries of the Group operate.

@ Shares issue expenses represent incremental costs which are directly attributable to the issuance of new shares pursuant to a proposed initial public offering in Singapore, which was not completed as at 31 March 2006.

- 1(d)(ii) **Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

Share Capital

<u>Authorised</u>	<u>No. of Shares</u>	<u>S\$'000</u>
Ordinary shares – 31 March 2006 and 31 December 2005	<u>2,500,000,000</u>	<u>100,000</u>
<u>Issued and fully paid</u>	<u>No. of Shares</u>	<u>RMB'000</u>
Balance as at 1 January 2006	202,617,175	39,431
Issue of shares on conversion of JT Redeemable convertible loan stock ("JT RCLS")	30,274,043	38,228
Issue of shares on conversion of Tranche 1 Redeemable convertible loan stock	<u>27,898,551</u>	<u>19,041</u>
Balance as at 31 March 2006	<u>260,789,769</u>	<u>96,700</u>

On 24 March 2006, (i) 30,274,043 ordinary shares were issued upon the conversion of the JT RCLS and (ii) 27,898,551 ordinary shares were issued upon the conversion of Tranche 1 of the Redeemable convertible loan stock in principal amount of S\$ 3,850,000.

As at 31 March 2006, RMB 2,183,000 of share issue expenses has been netted against the gross proceeds from the issue of share.

- 2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

- 3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a matter).**

Not applicable.

- 4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The Group has applied the same accounting policies and method of computation in the financial statements for the current financial period as those of the audited financial statements for the financial year ended 31 December 2005.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

Not applicable.

6. **Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.**

	Group	
	31-Mar-06	31-Mar-05
Net profit attributable to members of the Company (RMB'000)	<u>17,987</u>	<u>14,003</u>
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	<u>222,008</u>	<u>175,032</u>
Basic earnings per share (RMB cents)	<u>8.1</u>	<u>8.0</u>
Diluted earnings per share (RMB cents)	<u>8.1</u>	<u>8.0</u>

The weighted average number of ordinary shares in issue as at 31 March 2005 is based on the assumption that the Group Restructuring Exercise and the subdivision of shares have been completed on 1 January 2005.

Diluted earnings per share for the financial periods ended 31 March 2006 and 31 March 2005 are the same as basic earnings per share because there were no potential dilutive ordinary shares existing during the respective financial periods.

7. **Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-**
- (a) **current financial period reported on; and**
 (b) **immediately preceding financial year.**

	31-Mar-06		31-Dec-05	
	<u>Group</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
Net assets (RMB'000)	237,569	83,159	164,475	29,739
Number of ordinary shares ('000)	260,790	260,790	202,617	202,617
Net Asset Value per share (RMB cent)	<u>91.1</u>	<u>31.9</u>	<u>81.2</u>	<u>14.7</u>

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business, it must include a discussion of the following:-**

- (a) **any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) **any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

Consolidated Income Statement – 1st quarter performance

(a) Sales

The Group's sales in 1QFY2006 increased by RMB 54.8 million or 73.1% from RMB 74.9 million in 1QFY2005 to RMB 129.7 million in 1QFY2006 which was attributable to:

- (i) a RMB 28.4 million or 42.6% increase in sale of electronic tuner component from RMB 66.6 million in 1QFY2005 to RMB 95.0 million in 1QFY2006; and
- (ii) a RMB 26.3 million or 313.1% increase in sales from our other business segment from RMB 8.4 million in 1QFY2005 to RMB 34.7 million in 1QFY2006

The increase in sales of electronic tuner component was due to (i) an increase in orders from our customers such as Sharp Group and ALPS Group, (ii) an increase in volume of sales as a result of the trend digitalisation in the market (more electronic tuners are required in digital-based products as compared to analog-based products) and (iii) organic growth in the consumer electronic industry, such as Liquid Crystal Display ("LCD"), set-top boxes and Plasma Display Panel ("PDP").

The increase in sales of our other segment was mainly driven by:

- (i) RMB 12.1 million increase in sales of precision connectors and components to telecommunication and office automation equipment industries by Suzhou Zhongxinglian. Sales from Suzhou Zhongxinglian increased from RMB 4.4 million in 1QFY2005 to RMB 16.5 million in 1QFY2006. This strong growth experienced by Suzhou Zhongxinglian was the result of our strategy to cross-sell our precision connectors and components to our existing electronic tuner component customers such as Sharp as well as an increase in orders from customers such as Ningbo BIRD and Amphenol; and
- (ii) RMB 7.2 million increase in electroplating services for automotive parts from RMB 2.6 million in 1QFY2005 to RMB 9.8 million in 1QFY2006 due mainly to an increase in orders from Dongfeng Nissan and Dongfeng Honda.

(b) Gross Margin

Gross profit increased by RMB 15.1 million or 50.2% from RMB 30.0 million in 1QFY2005 to RMB 45.1 million in 1QFY2006. Overall gross profit margin decreased from 40.1% in 1QFY2005 to 34.8% in 1QFY2006, although this was largely unchanged from that of FY2005. Overall gross profit margin for FY2005 was 34.7%.

The reduction in the overall gross profit margin was largely attributable to higher cost of materials, in particular, copper, which reduced the gross profit margin of electronic tuner component from 43.1% in 1QFY2005 to 35.8% in 1QFY2006. The gross profit margin achieved in 1QFY2006 of 35.8% was not materially different from 36.2% in 4QFY2005 as a result of upward adjustment in prices to factor in the increase in raw material prices.

In view of the increase in material prices, in particular copper, we are increasing our research and development effort and collaborating with our customers to replace copper, which is used in the F-connectors and IEC-connectors, with steel. In addition, we are re-designing our production technique to enhance our efficiency and productivity.

The reduction in gross profit margin of electronic tuner component was partially mitigated by an increase in gross profit margin from our other business segment from 16.0% in 1QFY2005 to 31.8% in 1QFY2006, as a result of higher utilization rate for our electroplating lines for automotive parts as well as our factory in Suzhou City.

(c) Expenses

Expenses increased by RMB 10.9 million or 72.5% from RMB 15.1 million in 1QFY2005 to RMB 26.0 million in 1QFY2006 as a result of:

- (i) an increase of RMB 3.1 million in distribution expenses in tandem with the increase in sales
- (ii) an increase of RMB 7.5 million in administrative expense due mainly to:
 - an increase in staff cost and staff welfare and education expense of RMB 3.0 million and RMB 1.2 million respectively as a result of an increase in headcount, largely attributable to newly formed subsidiaries;
 - an increase in general office expenses of RMB 2.2 million of which RMB 1.0 million relates to Suzhou Zhongxinglian; and
 - an increase in rental expenses of RMB 0.3 million due to the increase in office space rented.
- (iii) an increase of RMB 0.3 million in finance expense as a result of higher level of banking facilities utilised during 1QFY2006 to finance the expansion plans at our subsidiaries while awaiting for the funds from the initial public offer.

(d) Profit before income tax

Profit before income tax for 1QFY2006 increased by RMB 4.2 million or 26.0% from RMB 16.1 million in 1QFY2005 to RMB 20.3 million in 1QFY2006. The increase in profit before income tax was due to the increase in gross profit of RMB 15.1 million, an increase in other income of RMB 0.3 million, which was offset by an increase in distribution, administrative and finance expenses of RMB 10.9 million and a reduction in share of profit from associated company of RMB 0.3 million.

(e) Income tax expense

The Group effective tax rate for 1QFY2006 was 10.2% which was lower than the effective tax rate of 12.9% for 1QFY2005 as the profit before tax contributed by Suzhou Zhongxinglian and Wuxi Ruite was tax exempt

(f) Profit attributable to shareholders of the Company

Profit attributable to shareholders of the Company increased by RMB 4.0 million or 28.5% from RMB 14.0 million in 1QFY2005 to RMB 18.0 million in 1QFY2006. Net profit margin for 1QFY2006 was 13.9% which was lower than 18.7% in 1QFY2005 due mainly due to the reduction in our overall gross profit margin.

Consolidated Balance Sheet

There was no material variance for the Group balance sheet items between 31 March 2006 and 31 December 2005 except for the following:

- RMB 6.7 million increase in cash and bank deposits of which RMB 1.1 million were due to decrease in restricted deposits which were released from pledges on repayment of credit facilities utilised.

Cash flow from operating activities in 1QFY2006 amounted to RMB 13.1 million and cash flow from financing activities amounted to RMB 9.3 million (mainly in the form of issuance of JT RCLS, net of repayment of borrowing as well as share issue expenses) which was offset by RMB 14.6 million cash flow used in investing activities (mainly for the acquisition of property, plant and equipment).

- Repayment of RMB 5.6 million of dividend payable to Zhejiang Zhongxing Precision Industry Co., Ltd.
- RMB 21.0 million decrease in total borrowing due to routine repayment.
- RMB 18.3 million decrease in Redeemable convertible loan stocks due to the conversion of Tranche 1 principal.

Debtors' and inventories' turnover days for 1QFY2006 were 88 days (an improvement from the 102 days as at 1QFY2005) and 55 days (an improvement from the 77 days as at 1QFY2005) respectively. Creditors' turnover days for 1QFY2006 was 83 days which was not materially different from 89 days in 1QFY2005.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

We expect the overall volume of sales for our products and services to increase in line with higher demand and our future plans as disclosed in the Prospectus dated 25 April 2006. However, we do not expect our average selling prices to fluctuate significantly. In particular, we expect the growth in the sales of connectors and components for telecommunication and office automation equipment to be more significant compared to our other products in the foreseeable future.

Based on our past experience, we typically record higher sales volume in the second half of the year.

In relation to our raw materials, such as tin-plated steel and tri-layer coated steel, phosphor bronze and PPS (Polyphenylene Sulphide), we anticipate the cost of purchases to remain relatively stable with the possibility of a reduction in prices. Prices of non-ferrous metals, which have trended upward may result in higher cost. We have undertaken a series of effective measures to address the increase in prices of non-ferrous metals. For example, we have locked in the prices for the next two to three months by committing our purchases at the present prices and increasing our research and development effort and collaboration with our customers to replace copper, which is used in the F-connectors and IEC-connectors, with steel.

Going forward

The trend of digitalisation (transition from analog to digital-based technology) will likely lead to an increase in demand for electronic turner components used in digital-based consumer electronic products such as set-top boxes, LCD and PDP.

For our other business segment, the Group intends to focus its effort in expanding the connectors and precision components business for the consumer electronic industry and the mobile phone market. We may enter into strategic collaboration, joint venture, merger and/or acquisition to achieve our expansion plans.

Our Group is in the process of setting up an office in Japan for the purposes of participating in our customers' research and development of new consumer electronic products as well as to service our customers in Japan.

11. Dividend

(a) Current Financial Period Reported On

No dividend declared for the current financial period reported on.

Name of Dividend	-
Dividend Type	-
Dividend Amount Per Share	-
Par Value of Share	-
Tax Rate	-

(b) Corresponding Period of the Immediately Preceding Financial Year

No dividend declared for the corresponding period of the immediately preceding financial year.

Name of Dividend	-
Dividend Type	-
Dividend Amount Per Share	-
Par Value of Share	-
Tax Rate	-

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect

No dividend has been declared/recommendeded for the three-month financial period ended 31 March 2006.

13. Interested persons transactions

	Group	
	3 months ended	
	31-Mar-06	31-Mar-05
	RMB'000	RMB'000
Finished goods sold to related parties		
Hefei Rundong Communications Co., Ltd	437	291
Hong Kong Zhongxing Trading Limited	-	8,879
	<u>437</u>	<u>9,170</u>
Sales of raw material to a related party		
Ningbo Chunsheng Electronics Co., Ltd	4	-
Cixi Hengxing Electronics Co., Ltd	-	112
	<u>4</u>	<u>112</u>
Processing fees paid and payable to a related party		
Ningbo Chunsheng Electronics Co., Ltd	5,506	-
Cixi Hengxing Electronics Co., Ltd	1,675	3,758
	<u>7,181</u>	<u>3,758</u>
Operating leases of certain leasehold land and buildings from a related party		
Zhejiang Zhongxing Precision Industry Co., Ltd	<u>322</u>	<u>283</u>
Interest paid or payable to a related party		
Zhejiang Zhongxing Precision Industry Co., Ltd	<u>392</u>	<u>402</u>

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

Not applicable

BY ORDER OF THE BOARD**Zhang Zhongliang**
15 May 2006